



بنك الإمارات دبي الوطني
Emirates NBD

Daily

4 February 2020

Daily Outlook

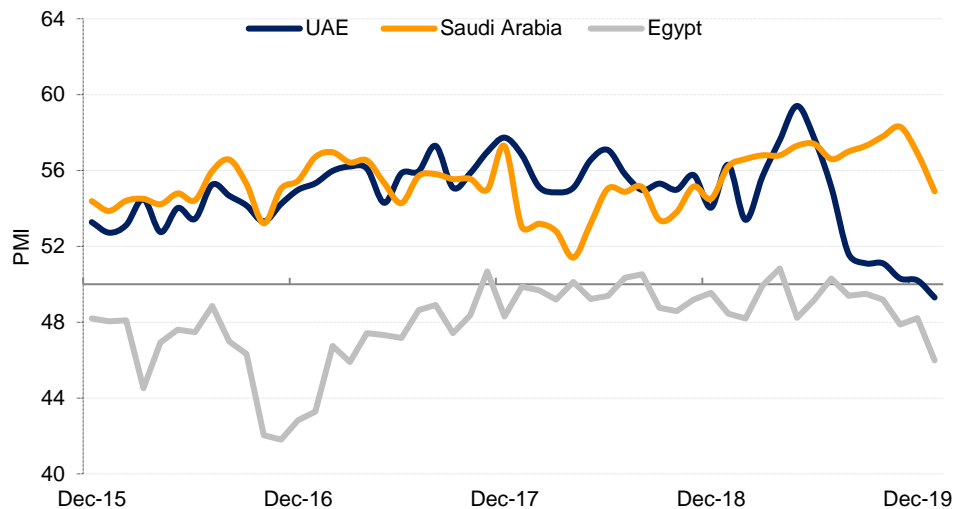
Abu Dhabi and Dubai announced a new natural gas discovery that will be developed jointly and could allow the UAE to become self sufficient in terms of its domestic energy demand. The Jebel Ali reservoir has 80tn cubic feet of natural gas, making it the fourth largest in the world, according to Bloomberg. It is unclear how long it will take to develop the field, but increasing natural gas production would boost hydrocarbon GDP, helping to mitigate the impact of oil production cuts. **Separately, Emirates and Etihad Airways will halt all flights to China, except Beijing, effective tomorrow** following a decision made by the UAE civil aviation authority. Emirates reportedly has 90 weekly flights to China, flying 3.7mn passengers last year. Chinese visitors to Dubai stood at just under 1mn people in 2019, or around 6% of Dubai's total international visitors.

Manufacturing PMIs for the US, UK and the Eurozone were all slightly better than expected in January. Although the Eurozone manufacturing PMI remained in contraction territory at 47.9, it was slightly higher than forecasted and a marginal improvement from December's reading. The UK's manufacturing sector rose to 50.0, the highest reading since May last year. The US PMI also showed improving conditions in the manufacturing sector, with the index rising to 51.9 from 51.7 in December and beating the consensus forecast. The ISM manufacturing index told a similar story, rising to a six-month high of 50.9 in January. **Regional PMI data was relatively disappointing however**, with the headline UAE PMI slipping to 49.3 in January – the first sub-50 reading since August 2009 - while the Saudi PMI declined to 54.9, the lowest reading in more than a year. Egypt's PMI fell to 46.0 from 48.2 in December.

Turkish CPI accelerated to 12.2% y/y up from 11.8% in December and above the consensus forecast of 11.9%. Core inflation rose to 9.9%, while producer price inflation accelerated to 1.8% m/m (8.8% y/y), all pointing to deteriorating inflation dynamics. Real interest rates are now negative in Turkey at -0.9%, similar to Japan, increasing pressure on the central bank to pause its rate-cutting cycle when it meets later this month.

Finally, **the Reserve Bank of Australia kept rates on hold this morning at 0.75%** as widely expected but left the door open for further easing "if needed" to support growth, employment and to achieve the inflation target over time.

MENA PMIs soften at the start of the year



Source: IHS Markit, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK Construction PMI	13:30	47.1	US Factory Orders	19:00	1.2%
US Durable goods	19:00	2.4%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed mixed after the US CDC said that it is preparing as if coronavirus were the next pandemic. USTs gave up early session gains as yields on the 2y UST and 10y UST closed at 1.35% (+4 bps) and 1.52% (+2 bps) respectively.

Regional bonds closed largely unchanged as investors remain largely cautious on emerging market assets. The YTW on Bloomberg Barclays GCC Credit and High Yield index closed at 3.0% and credit spreads remained flat at 153 bps.

FX

This morning the AUD has gained on the other major currencies in the aftermath of the central bank meeting at which policy makers held interest rates at a record low of 0.75%. As we go to print, AUDUSD is trading 0.37% higher at 0.6716.

Equities

Developed market equities closed higher as investor's started to look beyond the short term impact of coronavirus. The S&P 500 index and the Euro Stoxx 600 index added +0.7% and +0.3% respectively.

Regional markets closed mixed. The Qatar Exchange (-1.1%) and the ADX index (-0.8%) were notable losers. The weakness was led by market heavyweights with First Abu Dhabi Bank and Etisalat dropping -1.7% and -0.4% respectively.

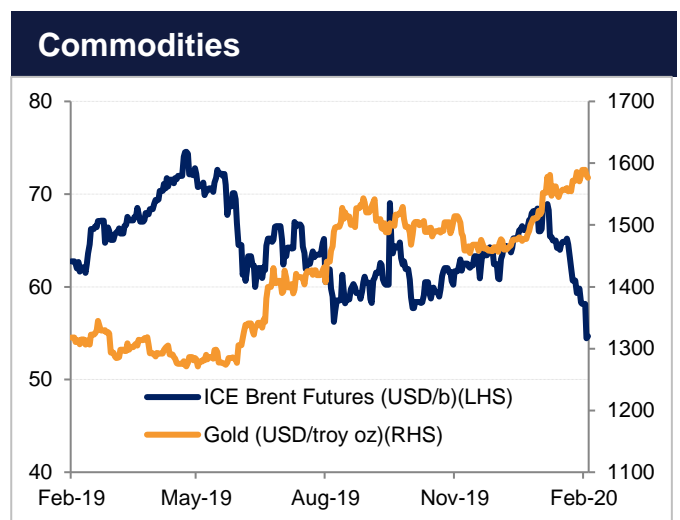
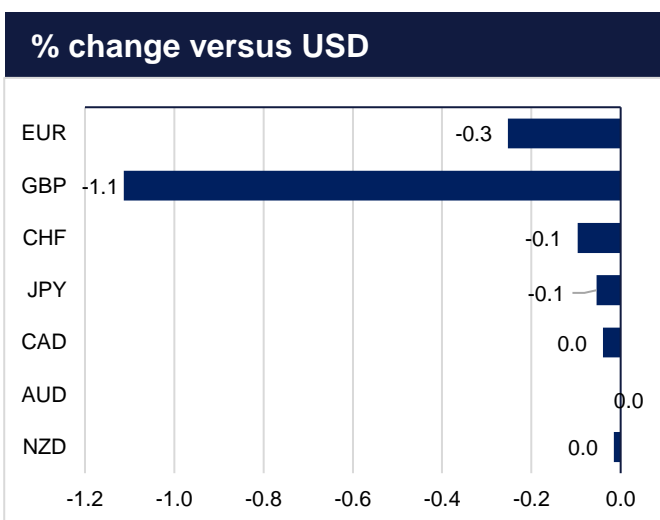
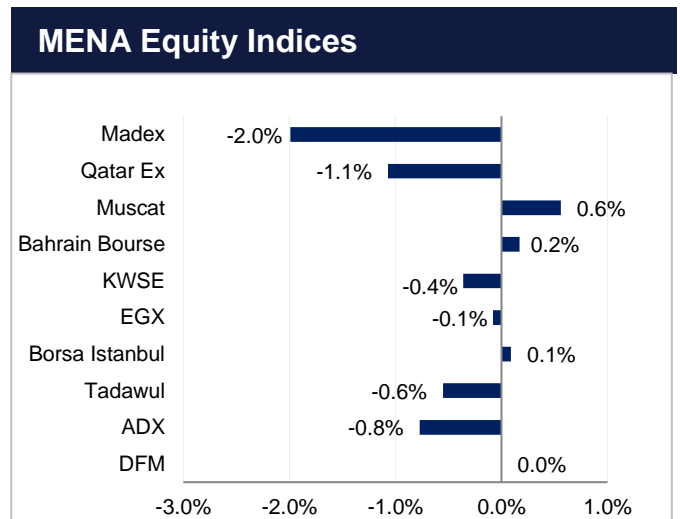
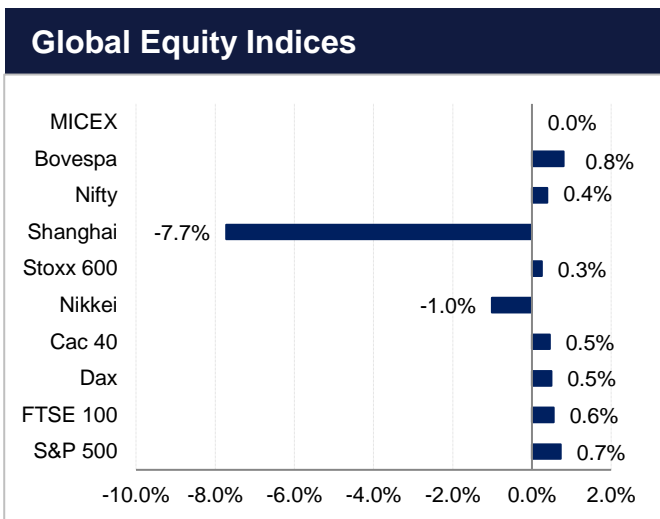
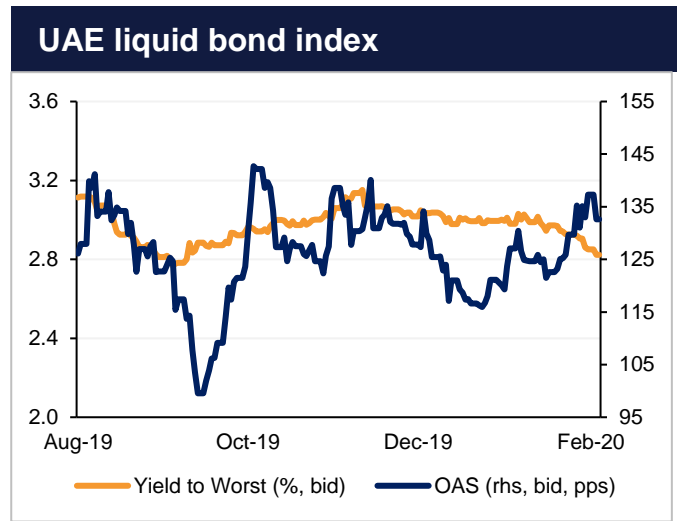
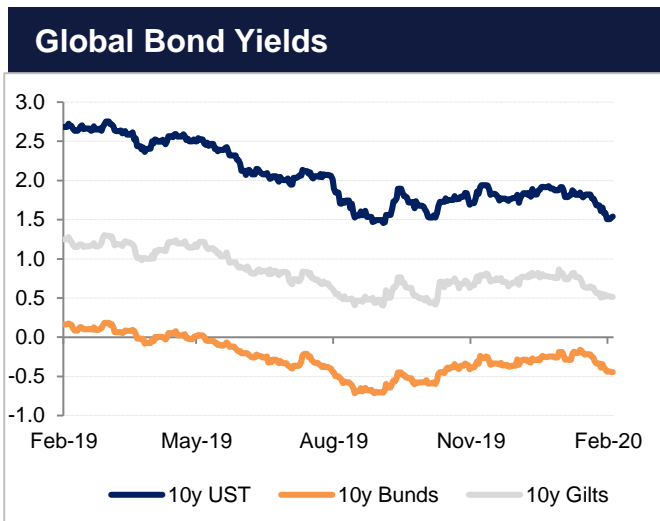
Taqqa, an exception, closed limit up after the company received an offer from Abu Dhabi Power Corp to transfer some assets in exchange of shares. Abu Dhabi Power would own 98.6% of Taqqa if the offer is accepted and the deal is completed. Further, the offer implies an equity value of Taqqa of AED 4.156bn.

Commodities

Oil markets moved into a bear market overnight, with both Brent and WTI futures down more than 20% from their 2020 year-to-date highs. Both contracts are managing tepid gains this morning with Brent at USD 54.75/b and WTI at USD 50.50/b. OPEC+ is holding a technical committee meeting today to assess the impact of the coronavirus outbreak on demand and whether to cut production further.

Brent time spreads moved into contango overnight with the 1-2 month spread at USD 0.17/b and 2-3 a little wider. Should the depressed conditions persist it may amplify selling pressure and act as a brake on any positive messages from OPEC+ about production levels.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1065	-0.25	1.1299	USDTRY	5.9840	+0.02	EURAED	4.0641	+0.30
GBPUSD	1.3059	-1.11	1.3178	USDEGP	15.8277	+0.18	GBPAED	4.7968	-0.32
USDJPY	108.42	+0.06	106.39	USDSAR	3.7521	+0.01	JPYAED	0.0339	+0.50
USDCAD	1.3244	+0.05	1.3249	USDQAR	3.6800	+0.40	CADAED	2.7734	-0.03
AUDUSD	0.6692	--	0.6739	USDKWD	0.3043	+0.12	AUDAED	2.4580	--
USDCHF	0.9643	+0.09	0.9414	USDBHD	0.3770	-0.00	CHFAED	3.8088	+0.51
EURGBP	0.8473	+0.86	0.8573	USDOMR	0.3850	--	TRYAED	0.6100	-0.64
USDAED	3.6730	--	3.6776	USDINR	70.7225	-0.64	INRAED	0.0552	+7.35

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8511	2.0299	2.0438	2.3793	USD 2 yr	1.395	+2
USD LIBOR	1.6678	1.7410	1.7170	1.7690	USD 5 yr	1.338	+2
GBP LIBOR	0.7065	0.7605	0.8159	0.8713	USD 10 yr	1.474	+2
JPY LIBOR	-0.0798	-0.0610	0.0123	0.1212	EUR 2 yr	-0.376	-0
CHF LIBOR	-0.7690	-0.6918	-0.6422	-0.5096	EUR 5 yr	-0.304	-1
					EUR 10 yr	-0.062	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1576.73	-0.78	ADGB 6.75 19	2.42	--	Abu Dhabi	41	--
Silver	17.83	-1.20	DUGB 7.75 20	1.57	-31	Bahrain	167	+1
Oil (WTI)	50.11	-2.81	QATAR 5.25 20	2.70		Dubai	97	--
Aluminium	1660.50	-2.64	US Tsy 2 yr	1.35	+4	Oman	229	--
Copper	5503.50	-0.86	US Tsy 10 yr	1.53	+2	Qatar	46	--
						Saudi Arabia	68	--

Source: Bloomberg, Emirates NBD Research

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