



بنك الإمارات دبي الوطني
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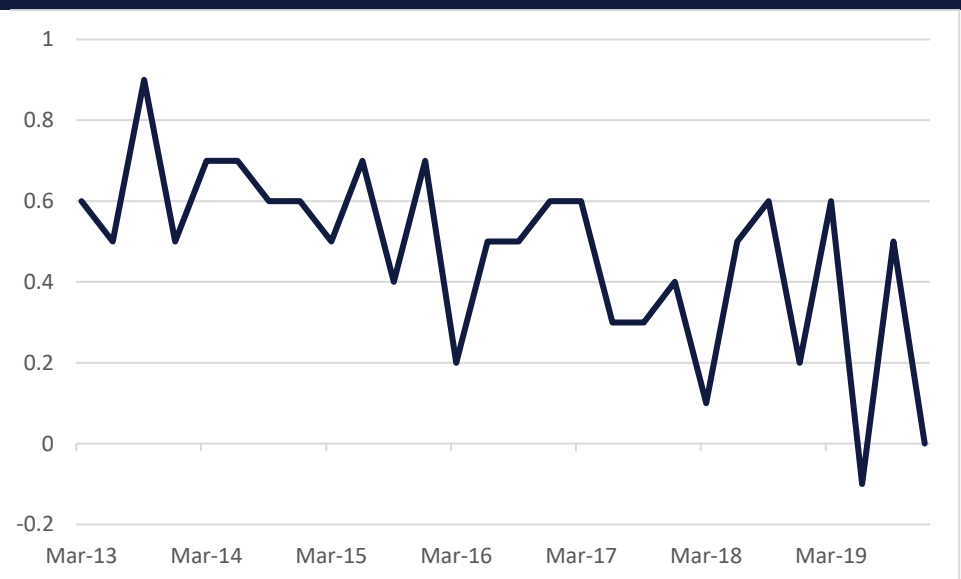
Daily Outlook

Fed Chair Powell was cautious about the current economic outlook given the emergence of the coronavirus, or Covid-19 as it has been renamed by WHO. The recent trade deal with China and signs of improvement in the global economy had reduced some of the uncertainties around the outlook, but officials are "closely monitoring" the risks posed by the virus. The question will be the size and scope of the effects according to Powell, and how persistent they will be. Key for the FOMC will be whether the impacts result in a "material change" in the outlook, saying it's too early to tell. He reiterated the policy stance remains appropriate while stating the labor market remains strong. The Fed is not on a preset course, and will continue to assess conditions. He also stressed the need for fiscal policy and a sustainable federal budget given the low level of rates. These views support expectations that the FOMC will keep rates lower for longer, with the market pricing in another rate cut this year.

Lebanese Prime Minister Hassan Diab has won a confidence motion in favour of his government and their ability to implement a rescue plan for Lebanon. Lebanon has been rocked by protests since October which have exacerbated structural issues in the economy, including wide twin deficits and government debt/GDP amongst the highest in the world. Details of the plan are unclear but a reported aim to secure soft financing from friendly governments would likely come with strict requirements in terms of fiscal adjustment. The biggest question remains over the USD 1.2bn Eurobond maturing next month. With rumours over partial default, the security's yield stands at 258%. Any move by the government to favour repaying creditors with dwindling reserves, rather than securing essential imports, will likely be met with further protest. Diab reportedly said that keeping funds in place for crucial food, energy and medicine imports would take precedence and that all options with regards to debt were on the table.

UK preliminary Q4 GDP came in a 0.0% q/q, while y/y growth rose 1.1%. The quarterly stagnation was expected and a consequence of Brexit related uncertainty, although interestingly as the quarter ended there was a bounce in activity with December GDP rising by 0.3% m/m as the election that month seemingly catalyzed a rebound in activity. Looking forward it is likely that Q4 marked the bottom of the cycle with Q120 likely to growth recover, especially as surveys have indicated rising optimism and investment intentions and with a fiscal stimulus expected next month.

UK growth stagnates in Q4 (% q/q)



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
EU Industrial production % m/m	14.00	-2.0%	US Monthly Budget	23:00	-\$7.5b

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries drifted lower as risk assets continued their rally. The testimony from the Fed Chair Jerome Powell threw no surprises as he adopted a wait and watch approach to the impact of coronavirus on the economic outlook. Yields on the 2y UST and 10y UST closed at 1.42% (+3 bps) and 1.60% (+4 bps) respectively.

Regional bonds traded in a tight range. The YTW on Bloomberg Barclays GCC Credit and High Yield index remained below 3% at 2.97% and credit spreads tightened to 143 bps.

FX

GBP was relieved that the Q4 GDP was not worse than feared, allowing it to bounce slightly yesterday. NZD/USD surged more than 1% after the Reserve Bank of New Zealand left interest rates on hold and indicated they would stay that way unless the coronavirus outbreak had a bigger-than-expected impact on economic growth. In Asia, currencies rose, led by the Thai baht, amid speculation the spread of the coronavirus will slow. President Xi Jinping vowed China would meet its economic goals while winning the battle against the coronavirus.

Equities

Developed market equities closed higher as investors continued to exude confidence in the global economy. The S&P 500 index and the Euro Stoxx 600 index added +0.2% and +0.9% respectively.

The KWSEPM (+0.4%) was a notable exception in what was another weak day of trading for regional equities. The DFM index and the Tadawul lost -0.8% and -1.0% respectively.

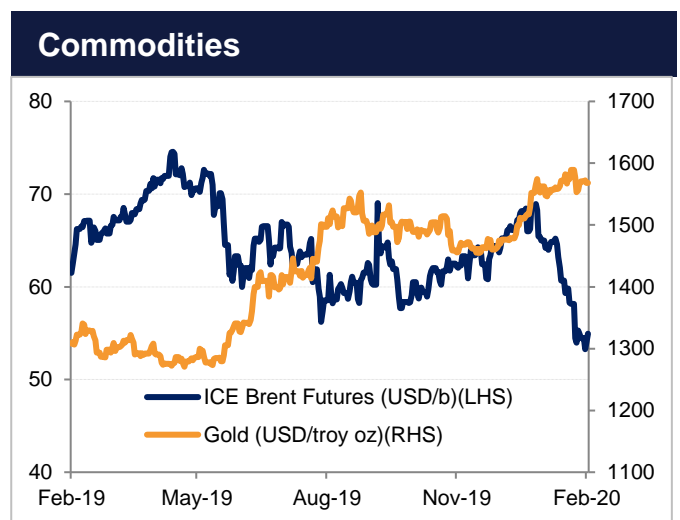
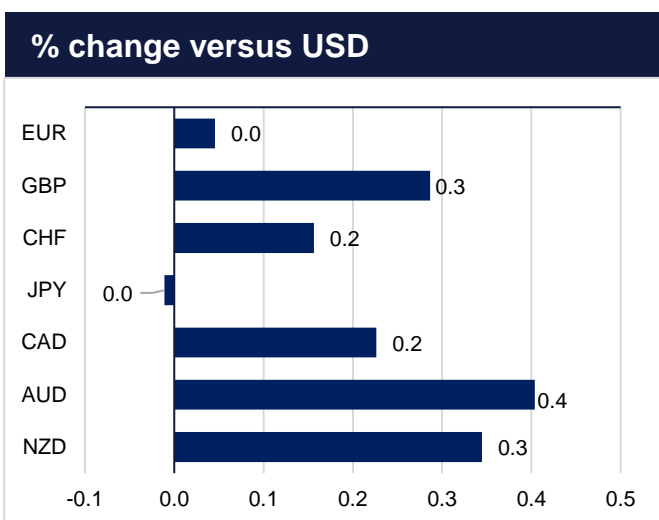
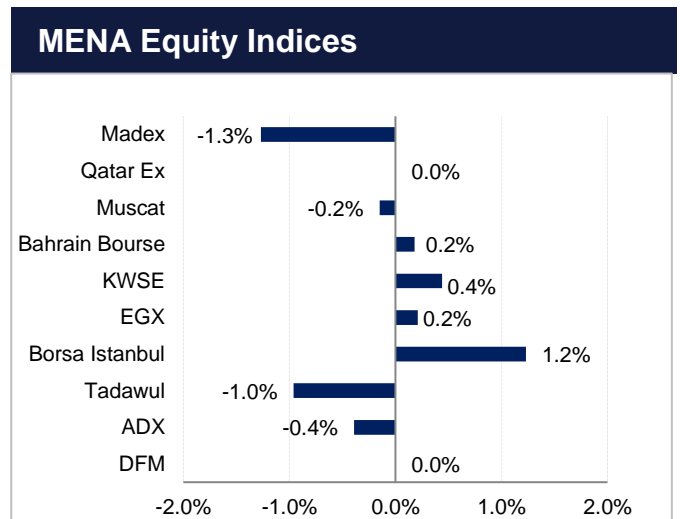
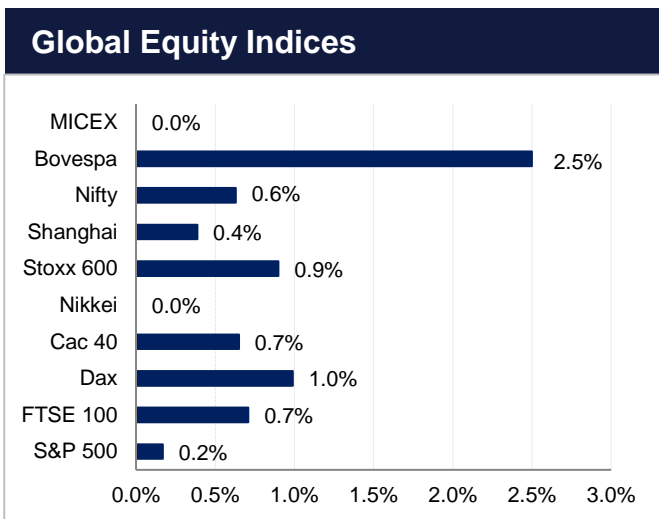
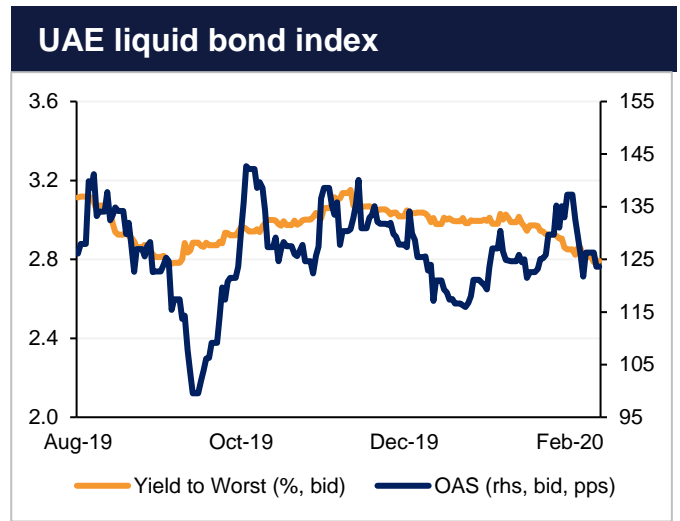
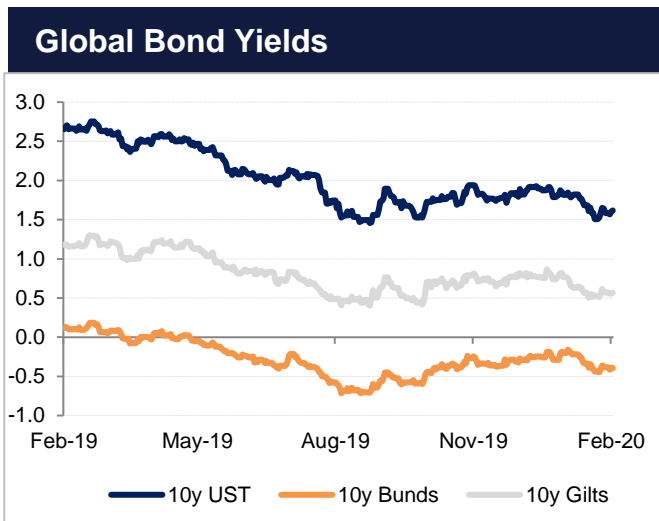
The DFM index was led lower by weakness in Damac Properties (-4.6%) following company's announcement of its 2019 financials. The company reported first loss since 2010 as it focused on completing existing projects.

Commodities

Crude oil futures have seen a modest recovery even despite some negative outlook adjustment from the EIA last night. Both the Brent and WTI benchmarks have risen from their 13-month lows seen on Monday. WTI closed up 0.75% yesterday to close at USD 49.94/b, and is back above the USD 50.0/b level this morning. Brent meanwhile climbed 1.39% yesterday to USD 54.01/b, and is flirting with the USD 55.0/b in early trading this morning.

The precipitous decline seen in the oil price since the outbreak of the Coronavirus appears to have steadied, likely buoyed somewhat by reports that Russia is 'studying' the OPEC+ group's proposal for new production curbs aimed at stymieing the freefall. However, in terms of demand the outlook has seen no improvement. Owing to the disruption caused by the disease, the EIA has slashed its 2020 forecast for growth by 310,000 b/d, to an increase of 101.74 b/d.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0916	+0.05	1.1151	USDTRY	6.0153	+0.06	EURAED	4.0092	+0.04
GBPUSD	1.2952	+0.29	1.3072	USDEGP	15.7216	-0.06	GBPAED	4.7577	+0.31
USDJPY	109.79	+0.02	107.68	USDSAR	3.7508	-0.00	JPYAED	0.0335	-0.01
USDCAD	1.3286	-0.23	1.3292	USDQAR	3.6800		CADAED	2.7643	+0.22
AUDUSD	0.6714	+0.40	0.6756	USDKWD	0.3046	+0.07	AUDAED	2.4660	+0.40
USDCHF	0.9759	-0.14	0.9523	USDBHD	0.3770	--	CHFAED	3.7640	+0.15
EURGBP	0.8427	-0.25	0.8530	USDOMR	0.3850	--	TRYAED	0.6100	-0.16
USDAED	3.6730	--	3.6766	USDINR	70.7225	-0.64	INRAED	0.0552	+7.18

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.7783	1.9649	2.0021	2.2794	USD 2 yr	1.456	+2
USD LIBOR	1.6579	1.7131	1.7206	1.8005	USD 5 yr	1.417	+3
GBP LIBOR	0.7034	0.7539	0.8160	0.8793	USD 10 yr	1.547	+3
JPY LIBOR	-0.0940	-0.0663	-0.0080	0.1030	EUR 2 yr	-0.367	-0
CHF LIBOR	-0.7700	-0.6890	-0.6364	-0.4924	EUR 5 yr	-0.278	+1
					EUR 10 yr	-0.028	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1567.89	-0.27	ADGB 6.75 19	2.42	--	Abu Dhabi	38	-2
Silver	17.65	-0.67	DUGB 7.75 20	1.70	-2	Bahrain	174	+2
Oil (WTI)	49.94	+0.75	QATAR 5.25 20	2.70		Dubai	96	-1
Aluminium	1709.25	+2.09	US Tsy 2 yr	1.42	+3	Oman	229	--
Copper	5729.25	+1.37	US Tsy 10 yr	1.60	+3	Qatar	41	-1
						Saudi Arabia	62	-4

Source: Bloomberg, Emirates NBD Research

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