



بنك الإمارات دبي الوطني
Emirates NBD

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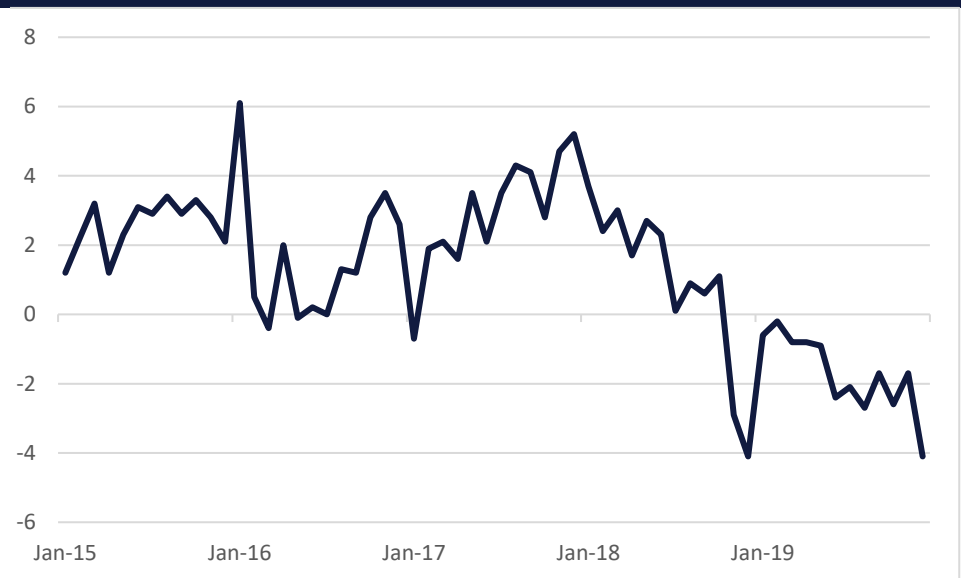
Daily Outlook

Market sentiment is continuing to oscillate on the back of the various reports about the number of coronavirus infections and victims, with reports overnight of a spike in infections in Hubei province causing a rebound in equities to come to an end, illustrating the ongoing level of uncertainty about just how long this crisis is going to last. Highlighting this further is a report that Russian oil companies are coming on board with the need to extend existing OPEC+ output cuts at least for another quarter, although they stopped short of recommending it for the whole of the year in a meeting with Russian Energy Minister Novak according to Bloomberg.

Dovish comments from the ECB's Chief Economist Philip Lane yesterday also show that policymakers are starting to assume the potential for a "pretty short-term hit" on the economy as spending plans are cancelled and postponed, with Fed Chair Powell also echoing his comments of the previous day that the effects of the coronavirus are being 'closely monitored'. With the weekend approaching it is likely that investors will start to adopt a more risk-off approach in case there are any further negative reports and headlines while markets are closed.

Eurozone industrial production already declined -2.1% m/m in December, and -4.1% y/y, more than expected, although not a complete surprise after weak national numbers. November was also revised slightly down, which left the quarterly rate at -1.4% q/q, after -0.8% q/q in Q3. The weakness in the manufacturing sector is no longer confined to Germany and while there were hopes that the signing of the phase one trade deal between the U.S. and China would revive world trade, the spreading coronavirus will hit demand from China and add to pressures on already weak Eurozone manufacturing numbers in Q1 and Q2. Against this background the data will add to pressure on governments to increase spending and will also maintain pressure on the ECB to keep monetary policy accommodative.

Eurozone industrial productions falls sharply in Q4 (% y/y)



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
GE CPI y/y	14:00	11:00	US CPI y/y	17:30	2.4%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed lower as risk assets continued to rally. Gains in commodities also supported the rally in equities. Yields on the 2y UST and 10y UST closed at 1.44% (+2 bps) and 1.63% (+3 bps) respectively.

Regional bonds closed largely unchanged. The YTW on Bloomberg Barclays GCC Credit and High Yield index remained flat at 2.97%. However, spreads continued to tighten to close at 140 bps (-3 bps).

In terms of ratings, S&P downgraded NMC to BB and placed the rating on negative watch. The rating agency cited weak governance as a reason for the same. Moody's placed Taqa under review for an upgrade following an offer from Abu Dhabi Power for the company.

In terms of new issuance, First Abu Dhabi Bank raised GBP 450mn in a 3 year paper which was priced 98 bps over UK gilts.

FX

Risk aversion returned overnight with the JPY firming and commodity currencies dropping once again as the news about the coronavirus deteriorated, with the number of victims in China rising. EURUSD has also fallen below the 1.09 level, with the single currency coming under pressure following economic data which showed Eurozone industrial production contracted -4.1% y/y in Q4 2019. Following this, during his second day of testimony, Federal Reserve Chairman Jerome Powell gave investors no further reason to expect a rate cut in the near future, describing the US economy as not "unbalanced". As we go to print, EURUSD is trading at 1.0870, levels not seen since May 2017.

Equities

Developed market equities closed higher as reducing number of new coronavirus cases gave confidence to investors that the outbreak will be contained fairly soon. The S&P 500 index and the Euro Stoxx 600 index added +0.7% and +0.6% respectively. However, after the markets closed, the Hubei province in China reported a significant number of new cases following a revision in methodology.

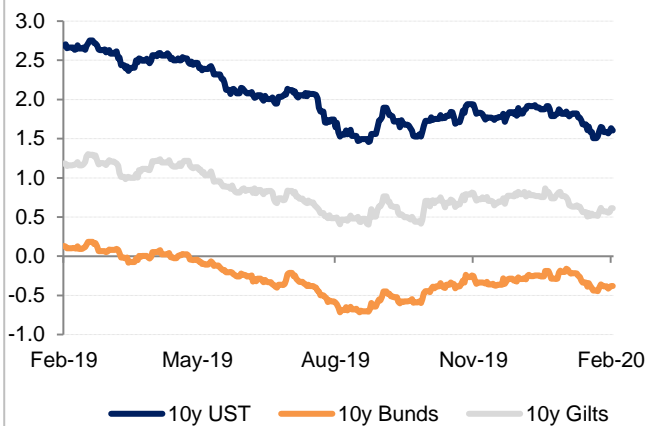
The Tadawul was a notable exception in what was another weak day of trading for regional equities. Weak corporate earnings appear to be weighing on investor sentiment. The DFM index and the Qatar Exchange lost -0.5% and -1.4% respectively.

Commodities

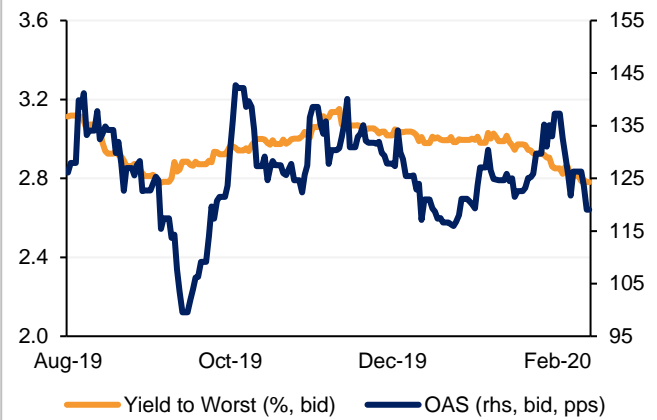
Oil prices continue to rally, as WTI futures closed up 2.5% to USD 51.17/b, and Brent by 3.3% to USD 55.8/b. Both benchmarks are showing some further gains in early trading this morning, despite a jump in confirmed Coronavirus cases overnight and an EIA stockpile report which showed that US crude reserves climbed by 7.5mn b over the week, compared to the API estimate of 6mn b. This far exceeds the previous week's build of 3.6mn, and the consensus projection of 3.0mn, but prices were shored up by some positive news out of Russia with regards OPEC+ production curbs. Russian oil majors have reportedly partially backed the new proposed limit on supply, suggesting extending the current limit for another quarter.

Markets in Charts

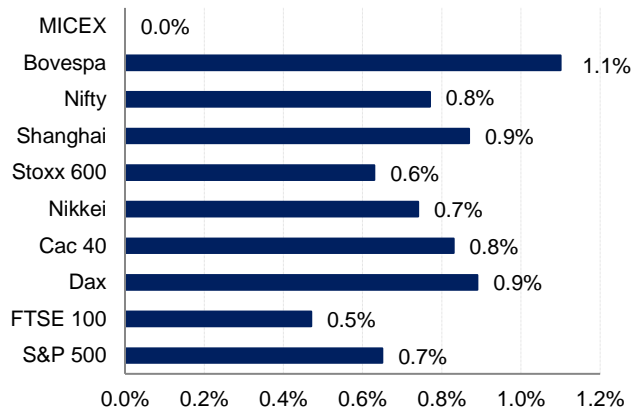
Global Bond Yields



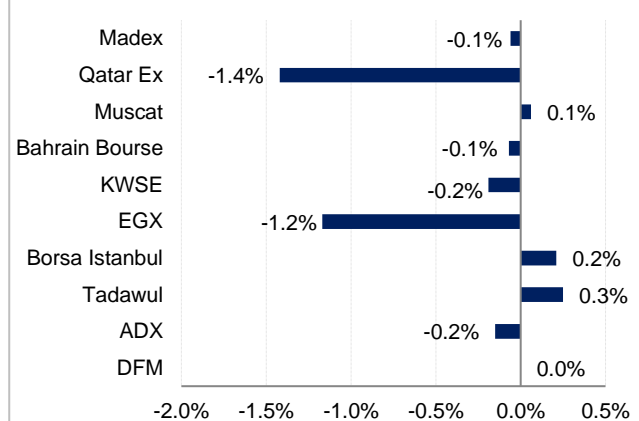
UAE liquid bond index



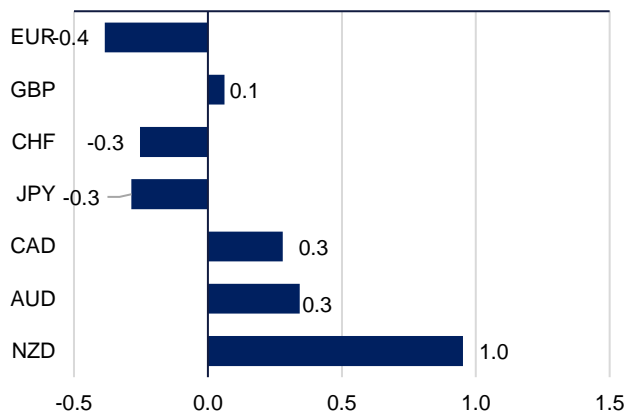
Global Equity Indices



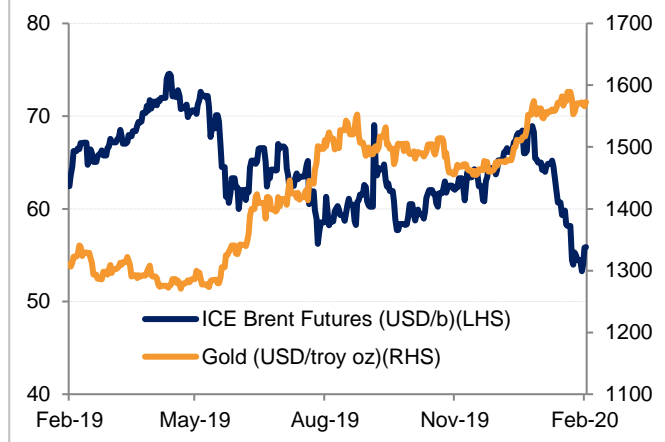
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0874	-0.38	1.1110	USDTRY	6.0445	+0.49	EURAED	3.9941	-0.38
GBPUSD	1.2960	+0.06	1.3081	USDEGP	15.7245	+0.02	GBPAED	4.7600	+0.05
USDJPY	110.09	+0.27	107.97	USDSAR	3.7508	--	JPYAED	0.0334	-0.28
USDCAD	1.3250	-0.27	1.3256	USDQAR	3.6800		CADAED	2.7721	+0.28
AUDUSD	0.6737	+0.34	0.6779	USDKWD	0.3046	--	AUDAED	2.4746	+0.35
USDCHF	0.9782	+0.24	0.9544	USDBHD	0.3770	--	CHFAED	3.7545	-0.25
EURGBP	0.8390	-0.44	0.8494	USDOMR	0.3850	+0.00	TRYAED	0.6100	-0.10
USDAED	3.6730	--	3.6772	USDINR	70.7225	-0.64	INRAED	0.0552	+7.20

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.7766	1.9844	2.0695	2.3108	USD 2 yr	1.489	+3
USD LIBOR	1.6528	1.7073	1.7245	1.8071	USD 5 yr	1.459	+4
GBP LIBOR	0.7073	0.7586	0.8154	0.8906	USD 10 yr	1.589	+4
JPY LIBOR	-0.0942	-0.0657	-0.0082	0.0997	EUR 2 yr	-0.368	-0
CHF LIBOR	-0.7656	-0.6952	-0.6374	-0.4988	EUR 5 yr	-0.274	+0
					EUR 10 yr	-0.023	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1566.06	-0.12	ADGB 6.75 19	2.42	--	Abu Dhabi	38	--
Silver	17.49	-0.91	DUGB 7.75 20	1.67	-3	Bahrain	171	-3
Oil (WTI)	51.17	+2.46	QATAR 5.25 20	2.70		Dubai	95	-1
Aluminium	1711.75	+0.15	US Tsy 2 yr	1.44	+2	Oman	229	--
Copper	5747.00	+0.31	US Tsy 10 yr	1.63	+3	Qatar	41	--
						Saudi Arabia	62	--

Source: Bloomberg, Emirates NBD Research

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