



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

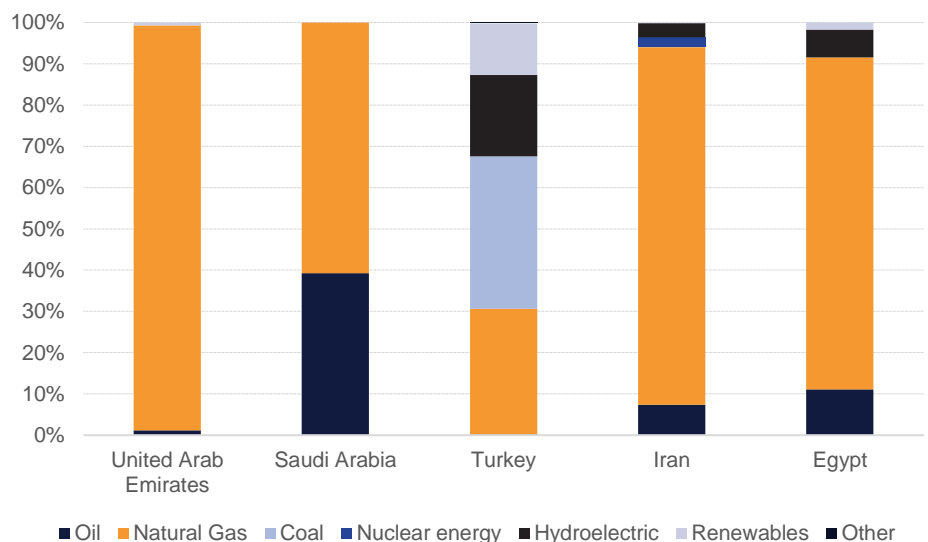
The WTO warned that the Covid-19 outbreak would pose a serious risk to global trade volumes for the start of 2020, compounding a drop in volumes last year catalyzed by the US-China trade war. The governing body for global trade estimated that trade volumes fell by 0.2% y/y in Q3 last year and expected that a modest rebound in the final quarter will have largely been unwound as a result of the viral outbreak. Volumes of trade were running flat to negative across much of 2019, weighing on export-reliant economies as well as impeding commodity demand more generally.

The UAE's nuclear regulator has issued a license for the Barakah nuclear power plant to begin operation within a few months. This is the first nuclear power facility in the UAE and indeed in any Arab economy. Jointly built with a Korean power sector developer the Barakah facility will have 5.6GW of generation capacity and should meet roughly a quarter of the UAE's power demand. Currently the UAE has installed capacity of around 27GW, nearly all of which is powered by natural gas. But the power sector is receiving investment across nearly all fuel sources: a new gas plant with 2.4GW of gas-fired capacity to be built in Fujairah while a 2.4GW coal plant is under construction in Dubai along with extensive investment into renewables and pumped hydro.

Saudi Arabia's energy minister, Prince Abdulaziz bin Salman, said the country was planning to add natural gas to its mix of hydrocarbon exports along with petrochemicals, refined products and crude oil. Currently Saudi Arabia exports no natural gas and is investing to increase its gas production to meet power generation requirements. The minister gave no indication on a time frame for when Saudi Arabia would indeed start exporting gas.

The Reserve Bank of Australia considered cutting rates at its last meeting according to minutes from the decision. However, the RBA chose to keep rates on hold to prevent further borrowing in an inflated property cycle. The RBA expects to see an underlying recovery in the economy thanks to mining and property investment and noted that the impact of bushfires and the coronavirus were "difficult" to estimate. The bank expects rates to stay low for "an extended period."

The UAE's power generation mix in context (2018)



Source: BP Statistical Review of World Energy 2019, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK employment data	13:30	--	GE ZEW Survey	14:00	--
US Empire manufacturing	17:30	5.0			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Regional bonds closed largely unchanged. The YTW on Bloomberg Barclays GCC Credit and High Yield index closed at 2.94% and credit spreads hovered around 140 bps.

Following the decision of DP World to de-list, Moody's has placed the rating of the company on review for downgrade. The rating agency said that the proposed minority buyout and dividend payment to Dubai World will increase DP World's leverage well beyond its guidance for a Baa1 rating. The rating agency said that it expects the rating downgrade could be limited to two notches but will depend on the final take-up of the buyout and the strategy the company intends to implement in order to restore stronger credit metrics.

FX

AUDUSD is trading lower in the aftermath of the release of the RBA minutes from the central bank's last policy meeting at which the interest rate was kept at a record low of 0.75%. In addition to acknowledging that interest rates were likely to stay low of the foreseeable future, policy makers also shared concerns over the negative impact of the coronavirus, in particular the "material risk on China". The minutes also showed that policy makers were ready to lower interest rates further if needed. As we go to print, AUDUSD is trading below the 0.67 level at 0.6688 with January's employment data likely to be the next economic release that determines the direction of the AUD.

Equities

It was a sluggish day of trading for developed markets on account of a holiday in the US. European equities closed higher following stimulatory measures by China to boost growth. The Euro Stoxx 600 index added +0.3%.

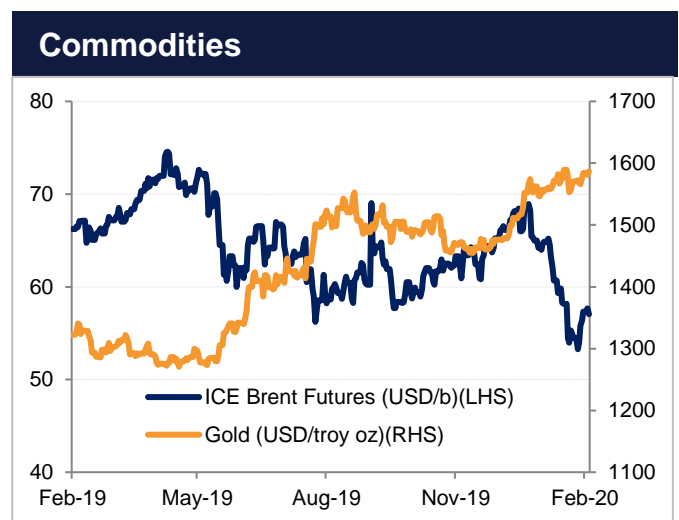
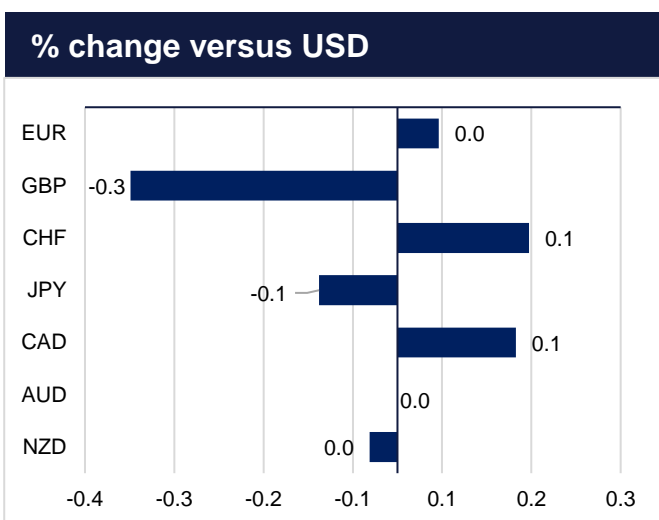
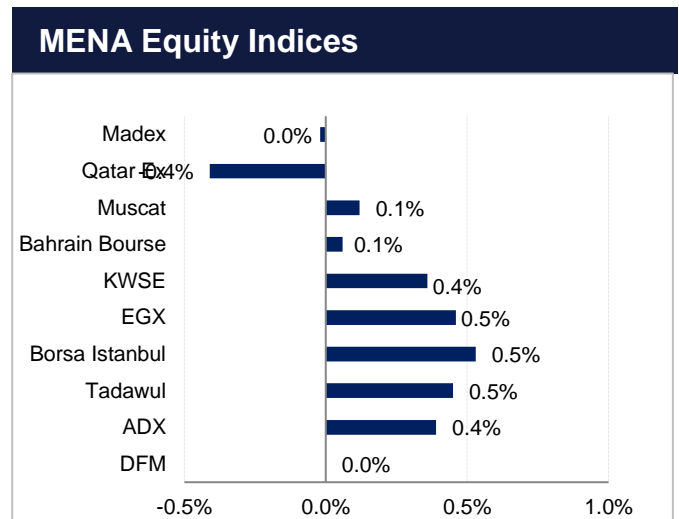
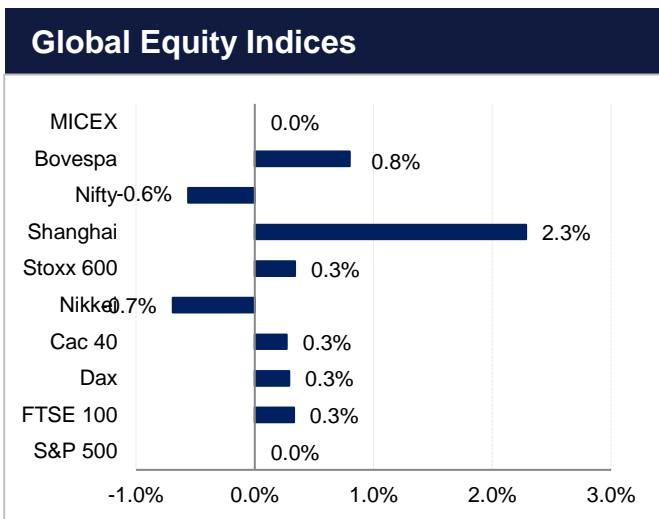
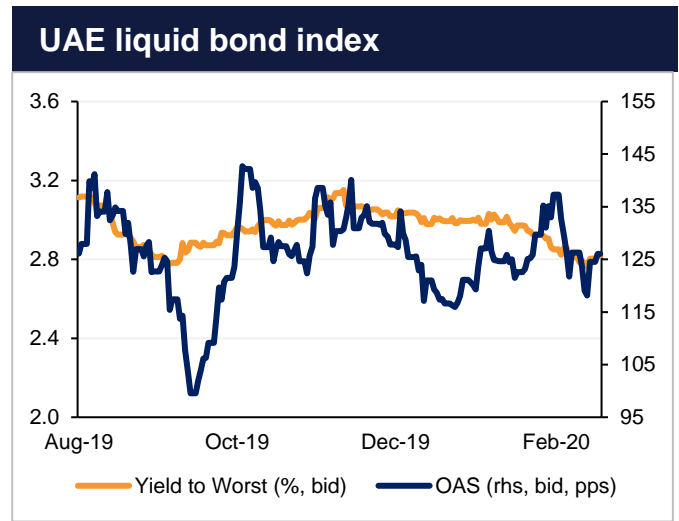
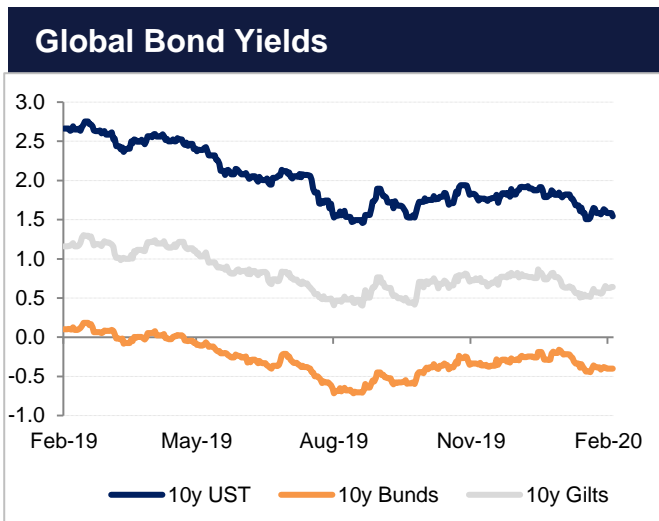
Regional markets had a positive day of trading. The DFM index added +0.5% on positive follow-through following the announcement by DP World to buy out minority shareholders at a premium to previous closing price. DP World closed limit up.

The Qatar Exchange (-0.4%) was a notable exception as it extended its negative streak to seventh consecutive trading session.

Commodities

A rally to start the week for Brent appears to have been a false dawn as futures have lost ground in early trade today. A relatively quiet day for markets with the US out on holiday saw Brent close up 0.6% at USD 57.67/b although all those gains have been given back to the market. WTI futures have moved back below USD 52/b.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0836	+0.05	1.1070	USDTRY	6.0449	-0.23	EURAED	3.9800	+0.05
GBPUSD	1.3008	-0.30	1.3124	USDEGP	N/A	N/A	GBPAED	4.7764	-0.34
USDJPY	109.88	+0.09	107.80	USDSAR	3.7508	-0.00	JPYAED	0.0334	-0.09
USDCAD	1.3235	-0.13	1.3241	USDQAR	3.6800		CADAED	2.7753	+0.12
AUDUSD	0.6714	--	0.6756	USDKWD	0.3048	--	AUDAED	2.4657	+0.05
USDCHF	0.9808	-0.15	0.9570	USDBHD	0.3770	--	CHFAED	3.7449	+0.14
EURGBP	0.8333	+0.38	0.8437	USDOMR	0.3850	--	TRYAED	0.6100	+0.62
USDAED	3.6730	--	3.6767	USDINR	70.7225	-0.64	INRAED	0.0552	+7.56

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.7544	1.8910	1.9610	2.2976	USD 2 yr	1.465	+1
USD LIBOR	1.6583	1.6918	1.7100	1.7984	USD 5 yr	1.414	+0
GBP LIBOR	0.7076	0.7538	0.8064	0.8948	USD 10 yr	1.534	+0
JPY LIBOR	-0.0962	-0.0737	-0.0105	0.1043	EUR 2 yr	-0.382	-0
CHF LIBOR	-0.7772	-0.7060	-0.6624	-0.5334	EUR 5 yr	-0.300	-0
					EUR 10 yr	-0.054	-0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1581.13	-0.18	ADGB 6.75 19	2.42	--	Abu Dhabi	39	--
Silver	17.69	-0.27	DUGB 7.75 20	1.74	+19	Bahrain	171	-1
Oil (WTI)	N/A	N/A	QATAR 5.25 20	2.70		Dubai	94	-1
Aluminium	1692.50	-0.22	US Tsy 2 yr	1.43	--	Oman	229	--
Copper	5796.75	+0.80	US Tsy 10 yr	1.58	--	Qatar	40	--
						Saudi Arabia	60	-1

Source: Bloomberg, Emirates NBD Research

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