بنك الإمارات دبي الوطني
Emirates NBD

Daily

2 March 2020

www.emiratesnbdresearch.com

Daily Outlook

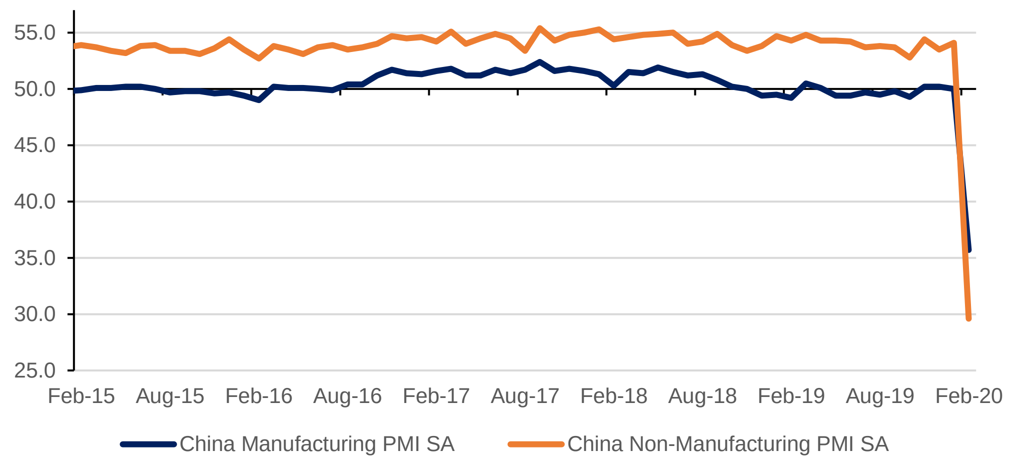
Financial markets had their worst week since the 2008 financial crisis. All asset classes moved deeper into negative territory as the coronavirus outbreak outside of China gathered pace. The spread of its breadth laid bare the worries over its impact on global economic growth. The MSCI World index dropped -10.9% 5d, yield on 10y treasuries (1.148%) dropped to the lowest level on record and Brent oil prices slumped -15.1%.

The moves in risk assets prompted policymakers to discuss measures to stem the slide. The Federal Reserve, in a rare statement, said that the coronavirus poses ‘evolving risks’ to the US economy and that they will ‘act as appropriate to support the economy’. Following on from this we think the odds are increasing that the Fed will cut rates by 25bps at the March 17/18 FOMC meeting, and we are also now assuming another move by the Fed around the middle of the year.

The first set of Chinese economic data for February showed, in unequivocal terms, the impact of the viral outbreak on its economy. According to data from the National Bureau of Statistics, the manufacturing PMI index dropped to 35.7 from 50.0 in the previous month and the non-manufacturing PMI index dropped to its lowest level ever to 29.6. The bureau added that as of last week of February, the work resumption rate at mid- and large-enterprises was 78.9%.

Beyond China, economic data suggested that activity in various emerging market economies were showing signs of recovery before the outbreak of coronavirus. Saudi Arabia’s economy grew 0.3% in 2019, a better outcome than our -0.4% forecast. The oil sector contracted by less than we had expected at -3.6%, while the non-oil sector expanded 3.3% against our forecast of 2.7% non-oil growth. With OPEC likely to deepen production cuts later this week, our 2020 growth forecast for Saudi Arabia (and other GCC oil exporters) is under review. India’s GDP for Q3 FY 2020 came in at 4.7%, lower than 5.1% growth in Q2 FY 2020 but in line with consensus expectations of 4.7%. The second estimate for full year FY 2020 GDP growth was retained at 5.0%. The sequential slowdown in growth was on account of lower government expenditure and weak investment and exports.

Economic activity in China slumped last month



Source: Bloomberg, Emirates NBD Research

Today’s Economic Data and Events

	Time	Cons		Time	Cons
Markit/ISO Turkey PMI Mfg	11:00	-	Markit US Manufacturing PMI	18:45	50.8
Markit Eurozone Manufacturing PMI	13:00	49.1	ISM Manufacturing	19:00	50.5

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries extended their rally as risk assets slumped, WHO raised the global risk of the virus to very high from high and the Federal Reserve issued a rare statement assuring markets that it will do whatever necessary to support the economy. At the end of last week, the market has priced in as many as four 25 bps rate cuts from the Federal Reserve over the next 12 months. Yields on the 2y UST and 10y UST closed at 0.91% (-44 bps w-o-w) and 1.14% (-33 bps w-o-w) respectively.

The odds of monetary policy action in other economies also rose. Investors are now pricing in a 45% probability of a 10 bps cut from the European Central Bank.

The YTW on Bloomberg Barclays GCC Credit and High Yield index rose +14 bps w-o-w to 3.01% as investors turned cautious. The credit spreads widened 49 bps w-o-w to 192 bps.

FX

EURUSD rose by 1.66% last week to close at 1.1027, the highest weekly close in a month. Of note is that on Friday of last week, the price was able to break the 50-day moving average (1.1029) before encountering resistance at the 100-day moving average (1.1055) before retreating just below the former. In addition, while the price was able to momentarily breach the 38.2% one-year Fibonacci retracement (1.1034), the weekly close was below this level. A break and daily close above this level has the potential to catalyze a retest of the 100-day moving average. Should these developments be realized, the price could climb further towards the 1.12 level in the medium term.

A 3.13% loss took USDJPY from 111.61 to 108.11 over the last five trading days. The daily candle chart shows that the 50-day moving average (109.58) was breached on Thursday. With this level acting as a resistance level on Friday, the price quickly fell below both the 100-day and 200-day moving averages in quick succession (109.23 and 108.41 respectively). In addition to this both the 61.8% one-year Fibonacci retracement (109.37) and the 50% one-year Fibonacci retracement (108.43) failed to prevent further declines. Finally the breaking of and weekly close below the 50-week (108.80), 100-week (109.85) and 200-week (109.69) moving averages are bearish for the price. Should we see a daily close below 107.50, not far from the 38.2% one-year Fibonacci retracement (107.49), it could trigger a larger decline towards the 105 level.

Equities

Regional equity markets closed sharply lower as investors remain anxious about the impact of the coronavirus outbreak on region's economic activity. The sell-off was broad based with all major indices closing in negative territory. The KWSE PM index suspended trading after the index closed limit down. The market had opened for the first time since National Holidays between 25 and 27 February 2019. Elsewhere, the DFM index and the Bahrain Bourse dropped -4.5% and -3.4% respectively.

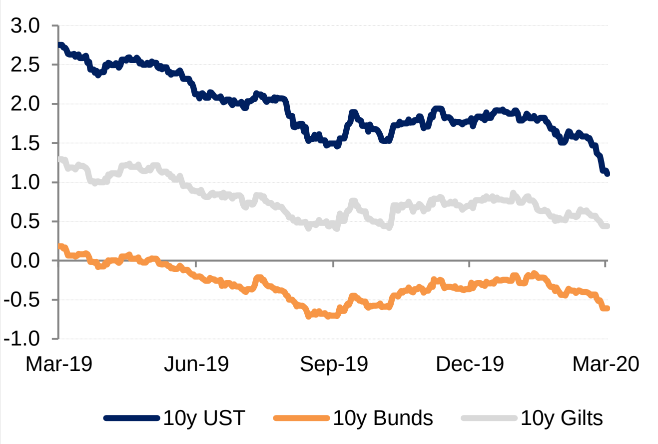
Commodities

Oil markets crumbled last week as the coronavirus spreads and entrenches outside of China. The economic impact of the virus has been severe with China's official manufacturing PMI falling to 35.7 for February while the services sector PMI collapsed to 29.6. The virus has just begun to become rooted in other markets such as Italy and while the economic hit may not be as sharp as in China's case it will nevertheless be significantly negative. Commodity prices reflected the sizeable risk-off sentiment with Brent futures falling almost 14% over the week while WTI was down more than 16% at less than USD 45/b.

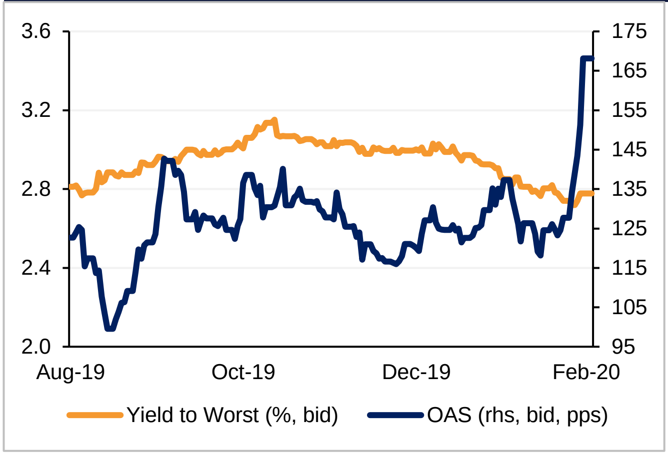
The fixation for oil markets this week will be the OPEC meeting taking place on March 5th, followed by a meeting with partners outside the bloc the next day. OPEC+ is largely expected to endorse more production restraint and we will outline the options available to the bloc and the impact on markets later this week. At a minimum, they may choose to extend the current level of deeper production cuts beyond the end of March, when they are due to expire. Getting to a larger production cut remains a challenge while volatility in oil markets remains high. Saudi Arabia has reportedly mooted a cut of as much of 1m b/d in cooperation with the UAE, Russia and Kuwait, according to press reports. It seems apparent that this week will end with less OPEC+ oil planned for the year rather than more.

Markets in Charts

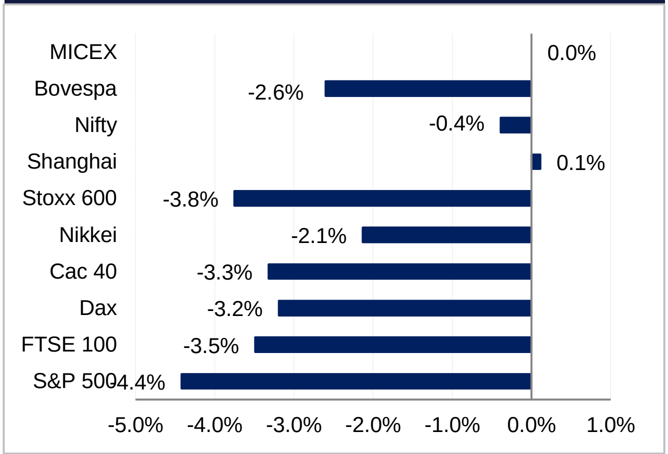
Global Bond Yields



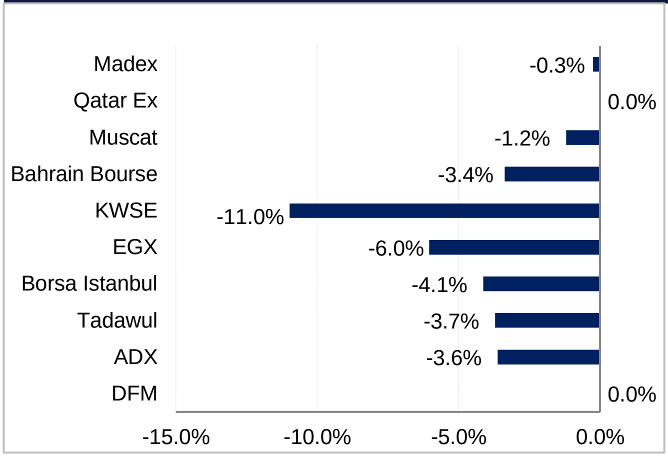
UAE liquid bond index



Global Equity Indices

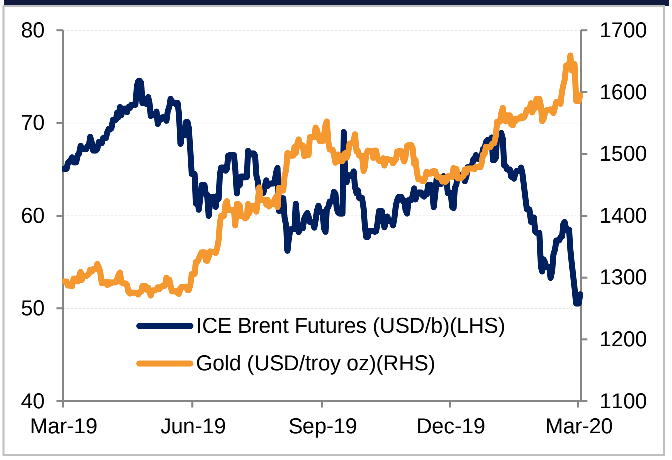


MENA Equity Indices



% change versus USD

Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1026	+0.23	1.1227	USDTRY	6.2469	+0.61	EURAED	4.0503	+0.24
GBPUSD	1.2823	-0.50	1.2904	USDEGP	N/A	N/A	GBPAED	4.7073	-0.54
USDJPY	107.89	-1.55	106.15	USDSAR	3.7517	-0.01	JPYAED	0.0340	+1.37
USDCAD	1.3407	+0.12	1.3421	USDQAR	3.6800	+0.39	CADAED	2.7412	-0.04
AUDUSD	0.6515	-0.82	0.6549	USDKWD	N/A	N/A	AUDAED	2.3905	-0.94
USDCHF	0.9649	-0.29	0.9442	USDBHD	0.3770	+0.01	CHFAED	3.8043	+0.22
EURGBP	0.8603	+0.77	0.8705	USDOMR	0.3851	+0.08	TRYAED	0.5900	-0.26
USDAED	3.6730	+0.00	3.6780	USDINR	70.7225	-0.64	INRAED	0.0552	+7.88

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.6425	1.7900	1.7800	1.9761	USD 2 yr	0.985	-12
USD LIBOR	1.5153	1.4628	1.3973	1.3815	USD 5 yr	0.981	-10
GBP LIBOR	0.6768	0.6728	0.6868	0.7504	USD 10 yr	1.118	-9
JPY LIBOR	-0.1190	-0.0760	-0.0430	0.0408	EUR 2 yr	-0.434	-2
CHF LIBOR	-0.8250	-0.7352	-0.7068	-0.6022	EUR 5 yr	-0.372	-2
					EUR 10 yr	-0.180	-4

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1585.69	-3.61	ADGB 6.75 19	2.42	--	Abu Dhabi	40	+1
Silver	16.67	-6.24	DUGB 7.75 20	1.91	+10	Bahrain	201	+20
Oil (WTI)	N/A	N/A	QATAR 5.25 20	2.70		Dubai	116	+1
Aluminium	1676.50	+0.34	US Tsy 2 yr	0.91	-15	Oman	324	+90
Copper	5617.25	+0.34	US Tsy 10 yr	1.15	-11	Qatar	49	-
						Saudi Arabia	76	+1

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12thFloor
Baniyas Road, Deira
P.OBox777
Dubai

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratersnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Edward Bell
Senior Director, Market Economics
+9714 230 7701
edwardpb@emiratesnbd.com

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Shady Shaher Elborno
Head of Macro Strategy
+9714 609 3015
shadyb@emiratesnbd.com

Jamal Mattar
Research Associate
+9714 444 3607
jamaly@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
+20 22 726 5040

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@emiratesnbd.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com