



بنك الإمارات دبي الوطني
Emirates NBD

Daily
3 March 2020

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Daily Outlook

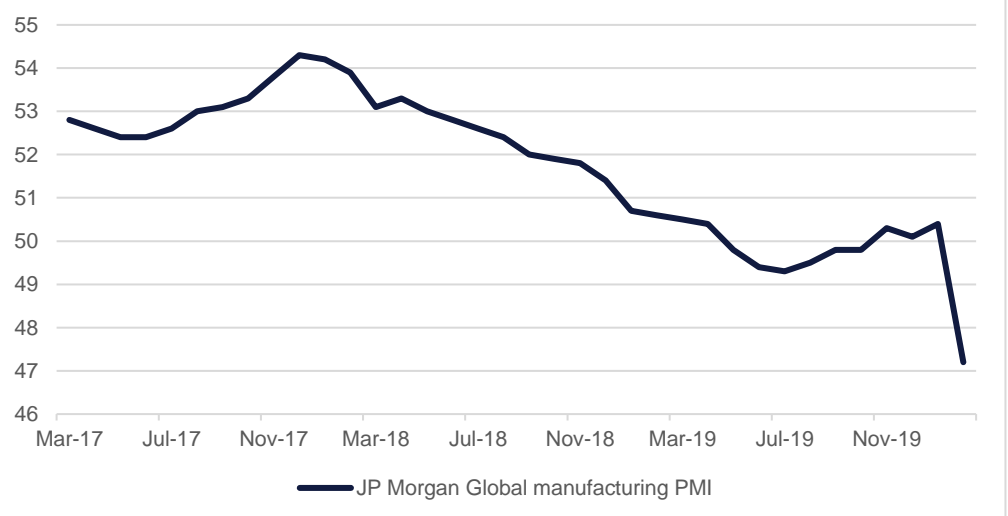
The OECD lowered their global growth forecast for 2020 to 2.4% from an earlier prediction of 2.9%. The projected growth, if true, would be the weakest since 2009. The agency further warned that if the coronavirus outbreak spreads widely through the Asia Pacific region, Europe and North America, global growth could drop to 1.5%.

The PMI data from different regions presented a more mixed picture. The manufacturing PMI readings in Thailand, Malaysia, Vietnam, and India showed that activity slowed in February while those in the Eurozone were slightly better than in the previous month. The US ISM manufacturing index also dropped to 50.1 in February from 50.9 in January. Overall the JP Morgan global manufacturing PMI index moved into contraction territory with a reading of 47.2 for February compared to 50.4 in January. One needs to be a little bit careful while looking at the data especially from regions where the viral outbreak has gathered pace only in the last 10 days.

G7 finance ministers will hold teleconference later today to coordinate their response to the coronavirus outbreak according to French Finance Minister Bruno Le Maire. Markets are looking to central banks to react to the virus disruptions by injecting liquidity and cutting interest rates, with the Fed apparently ready to do so, and the Bank of Japan and Bank of England promising to protect market stability. Markets are already discounting a 50bps rate cut at the 17/18th March Federal Reserve meeting. Meanwhile, Banque de France head Francois Villeroy said the ECB's policy stance is already 'very accommodative', but if there is a need for additional action the ECB could deliver. Fiscal stimulus and direct support for companies and sectors affected are probably more appropriate responses to the crisis, but it is almost inevitable that some sort of central bank action will be seen to settle the markets.

Indeed, the Reserve Bank of Australia, earlier this morning, cut interest rate by 25 bps to 0.5%. The central bank said that the coronavirus outbreak is having a significant impact on the economy and is expected to delay progress towards full employment and the inflation target. The central added that it is willing to ease further if required.

Global manufacturing PMI index moves into contraction territory



Source: Bloomberg

Today's Economic Data and Events

	Time	Cons		Time	Cons
Switzerland GDP y/y	10.45	1.3%	Eurozone CPI m/m	14:00	0.2%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed marginally lower in what was a rather volatile session of trading. The rebound in risk assets towards the latter half of the trading session pushed yields higher which at one point during the day had touched lows of 1.03% (10y USTs). Overall, yields on the 2y USTs and 10y USTs ended the day at 0.90% (flat) and 1.16% (+2 bps) respectively.

Regional bonds saw the return of buying interest as benchmark yields remained close to record lows and investor sentiment improved. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped 6 bps to 2.95% and credit spreads tightened marginally to 189 bps.

According to reports, NMC Health has asked lenders for an informal standstill on its debt as the company seeks to safeguard finances to keep operations running. Moody's cut the ratings to Caa1 and said that it will withdraw all ratings.

Dubai Aerospace said that the company has recommenced its bond repurchase program. Since the start of the program, the company had repurchased c. USD 485mn worth of bonds and has a remaining authorisation of a further USD 115mn remaining.

FX

The dollar fell as prospects for a Fed rate cut weighed on it, with futures now pricing a 75% chance for a 75bp cut later this month, and about 15% to 20% risk for 100 bps. With G7 finance ministers holding a teleconference today markets are anticipating coordinated policy steps in coming days, with Australia's RBA having already announced a 25bps rate cut this morning. The AUD improved slightly on the news, back above 0.6550 as a rate cut had been discounted, and now the focus will turn to other central banks and wait they might do. The euro has been principal beneficiary of a broad rotation out of the dollar, which has occurred as U.S. Treasury yields hit record lows, causing a squeeze on short euro positions. However, the yen has begun to see some of its safe haven premium unwind amid an improvement in equity market sentiment.

Equities

Overall, developed market equities closed higher but were dominated by a sharp rebound in US equities. The S&P 500 index added +4.6% while the Euro Stoxx 600 index closed pretty much flat. Much of the strength can be put down to the central bank 'put' following statements of support from both central bank and government officials.

The Qatar Exchange (-2.9%) was a notable exception in regional markets that saw a rebound rally. The DFM index and the KWSE PM index added +2.5% and +6.3% respectively.

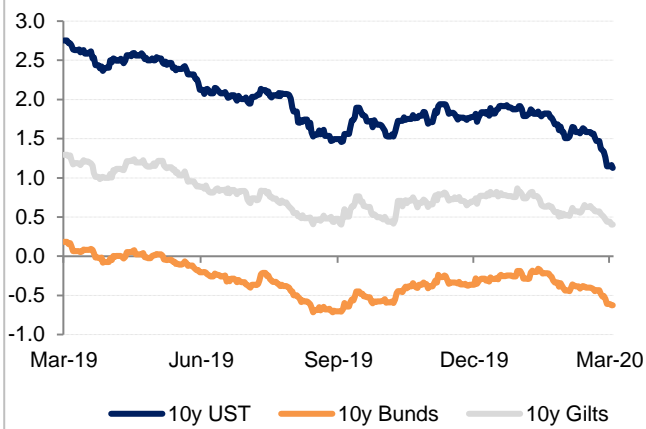
Commodities

Oil markets bounced in line with other risk assets in anticipation that global governments along with OPEC would take steps to neutralize the impact of Covid 19 on global growth. Brent futures rose 2.7% to settle at USD 51.90/b and are continuing to push higher this morning while WTI added more than 4.4% to close at USD 46.75/b.

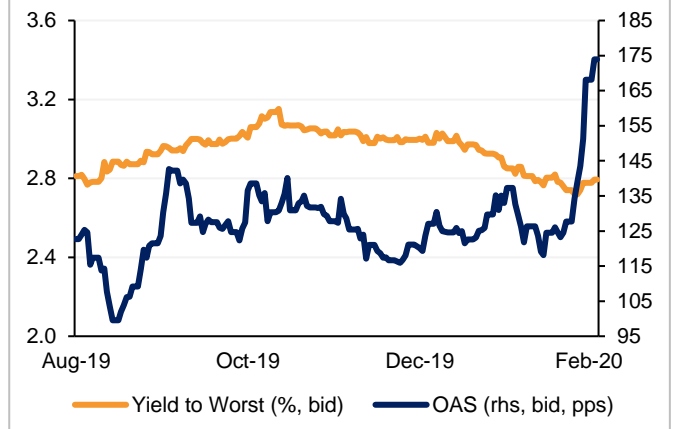
Markets are parsing commentary from any and every OPEC official in the lead up to the producers' bloc meeting at the end of this week for signs that they have committed to cutting production. Aggregate production fell by 480k b/d largely due to a drop in Libya's production which fell 640k b/d to just 150k b/d.

Markets in Charts

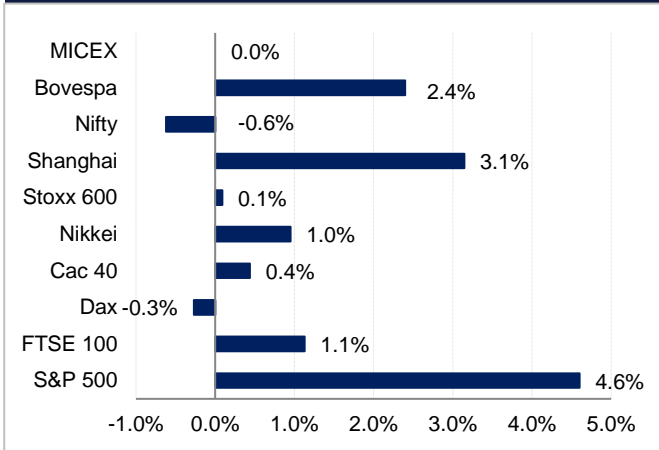
Global Bond Yields



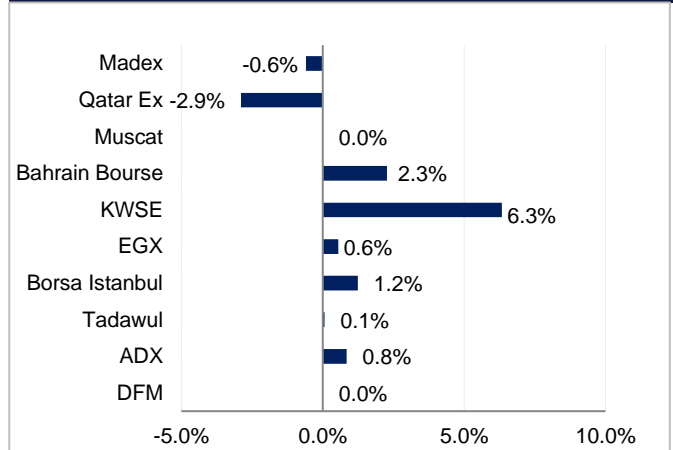
UAE liquid bond index



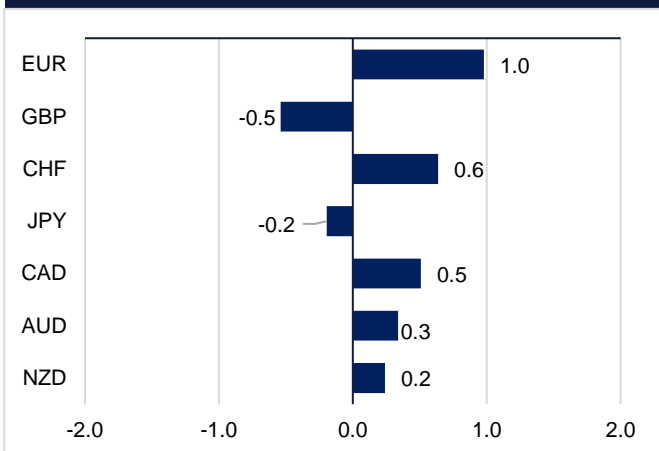
Global Equity Indices



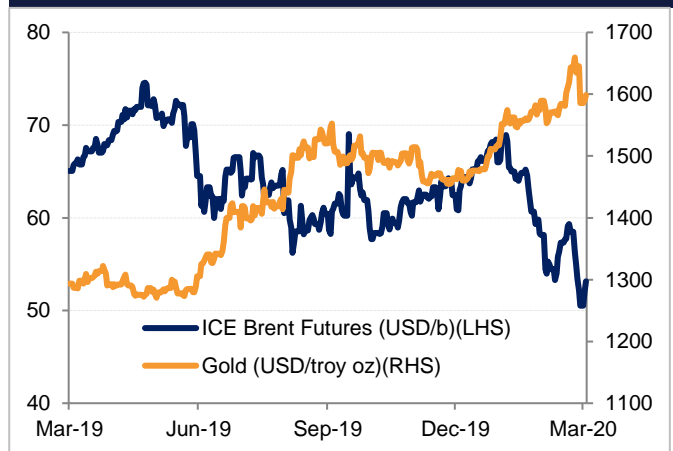
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1134	+0.98	1.1333	USDTRY	6.1795	-1.08	EURAED	4.0893	+0.96
GBPUSD	1.2754	-0.54	1.2834	USDEGP	N/A	N/A	GBPAED	4.6844	-0.49
USDJPY	108.33	+0.41	106.62	USDSAR	3.7518	+0.00	JPYAED	0.0339	-0.20
USDCAD	1.3328	-0.59	1.3347	USDQAR	3.6800	+0.38	CADAED	2.7568	+0.57
AUDUSD	0.6537	+0.34	0.6566	USDKWD	N/A	N/A	AUDAED	2.4021	+0.49
USDCHF	0.9593	-0.58	0.9392	USDBHD	0.3770	--	CHFAED	3.8290	+0.65
EURGBP	0.8730	+1.48	0.8830	USDOMR	0.3851	-0.00	TRYAED	0.5900	+0.34
USDAED	3.6730	--	3.6780	USDINR	70.7225	-0.64	INRAED	0.0552	+9.08

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.6576	1.8850	1.6836	1.9761	USD 2 yr	0.962	-2
USD LIBOR	1.3558	1.2538	1.1984	1.1539	USD 5 yr	1.009	+3
GBP LIBOR	0.6178	0.6014	0.6081	0.6759	USD 10 yr	1.154	+4
JPY LIBOR	-0.1380	-0.0838	-0.0573	0.0265	EUR 2 yr	-0.471	-4
CHF LIBOR	-0.8410	-0.7690	-0.7566	-0.6550	EUR 5 yr	-0.406	-3
					EUR 10 yr	-0.203	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1589.44	+0.24	ADGB 6.75 19	2.42	--	Abu Dhabi	48	+4
Silver	16.73	+0.42	DUGB 7.75 20	1.95	+4	Bahrain	211	+10
Oil (WTI)	N/A	N/A	QATAR 5.25 20	2.70		Dubai	118	+2
Aluminium	1701.25	+1.48	US Tsy 2 yr	0.90	-1	Oman	324	-
Copper	5680.75	+1.13	US Tsy 10 yr	1.16	+1	Qatar	53	+4
						Saudi Arabia	82	+6

Source: Bloomberg, Emirates NBD Research

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