



بنك الإمارات دبي الوطني
Emirates NBD

Daily
4 March 2020

www.emiratesnbdresearch.com

Daily Outlook

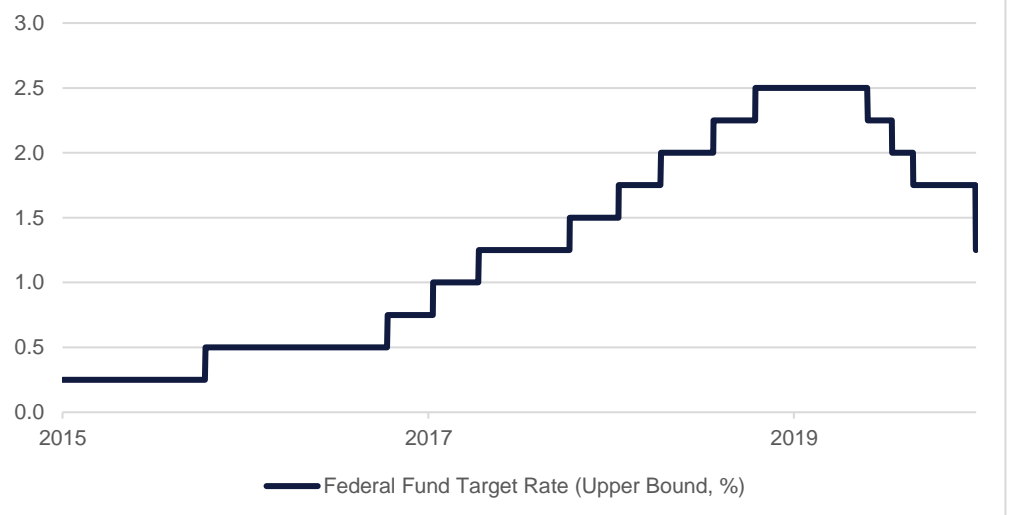
The US Federal Reserve cut interest rates by 50 bps in an emergency move to bring the lower bound of the rate to 1.0%. It was the first inter-meeting change in rates since the 2008 financial crisis. In addition to the reduction in the benchmark rate, the Fed also announced a 50 bps cut on the interest it pays on excess bank reserves. The Fed Chairman Jerome Powell said that the central bank took action after officials saw that the coronavirus outbreak was having a material impact on the economic outlook. Further, he added that the Federal Reserve is in active talks with other central banks and also reiterated that it remains ready to act further should the situation warrant.

Before the Federal Reserve action, G7 countries issued a statement where they affirmed their commitment to 'use all appropriate policy tools to achieve strong and sustainable growth and safeguard against downside risks'. The teleconference was attended by G7 finance ministers and respective central bank governors.

Australia's GDP data for Q4 2019 came in at 0.5% q/q and 2.2% y/y. This was stronger than expected and indicative that the economy had momentum heading into Q1 2020 where it has faced headwinds from wildfires and the coronavirus outbreak.

The UAE's headline PMI slipped further in February to 49.1, the second consecutive sub-50 reading. All components of the headline index softened last month as businesses started to grapple with the impact of the coronavirus on supply chains and demand. Output declined for the first time since January 2010, while new orders fell for the second month in a row. Saudi Arabia's non-oil sector growth slowed in February, but the PMI remained in expansion territory at 52.5. Output and new work increased, but at a markedly slower rate, with new order growth the softest in nearly two years. Egypt's headline PMI figure improved to 47.1 in February, up from a near three-year low of 46.0 in January. Nevertheless, this remains far off the neutral 50.0 level, and is below the series average of 48.4, suggesting that the long-awaited recovery in the non-oil private sector remains beyond the horizon.

Federal Reserve cuts interest rates



Source: Bloomberg

Today's Economic Data and Events

	Time	Cons		Time	Cons
German Retail Sales y/y	11.00	1.5%	Eurozone Retail Sales	14:00	1.1%
US ADP Employment Change	17.15	170k	US ISM Non-Mfg index	19.00	54.9

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries rallied sharply higher following a 50 bps rate cut by the Federal Reserve. Gains were led by the front-end of the curve as the swap market priced in a further 50 bps cut by June 2020. Yields on the 2y USTs and 10y USTs ended the day at 0.70% (-20 bps) and 0.99% (-17 bps). Yields on 10y USTs closed below 1% for the first time.

Regional bonds continue to benefit from sharp moves in benchmark yields. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped 7 bps to 288 bps and credit spreads remained flat at 189 bps.

Regional central banks in the UAE, Bahrain and the Kingdom of Saudi Arabia matched the rate cut made by the Federal Reserve and reduced interest rates by 50 bps.

Elsewhere, S&P became the latest rating agency to lower NMC's rating to CCC- and kept it on negative watch for further downgrades.

FX

The dollar softened in the wake of the Fed's decision to cut interest rates rising to 1.1212 against the EUR. However, the losses were shortlived and the USD recovered gradually overnight back to 1.1160. USDJPY meanwhile fell briefly below 107 before subsequently recovering back above 107. While G7 ministers pledged to 'use all appropriate tools' to safeguard growth, so far only Australia has matched the Fed's move with the RBA cutting interest rates by 25 basis points to a record low of 0.5%, making this the fourth time that the RBA has cut interest rates within the past year. While GBPUSD rallied on the back of the Fed's rate move, its strength was also reinforced by news that UK Construction PMI data was better than expected at 52.6, up from 48.4 in January.

Equities

Developed market equities closed mixed as investors assessed the emergency rate cut by the Federal Reserve. In a rather volatile trading session, the S&P 500 index dropped -2.8% while the Euro Stoxx 600 index added +1.4%. The fall in US equities needs to be seen in the context of a 5% gain in the previous trading session.

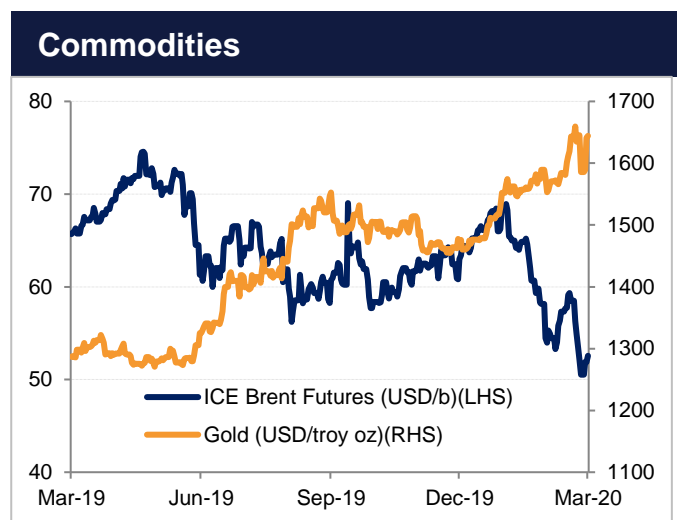
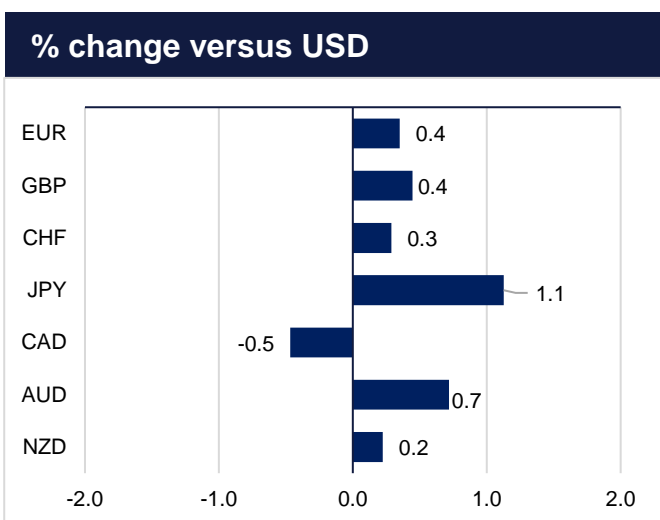
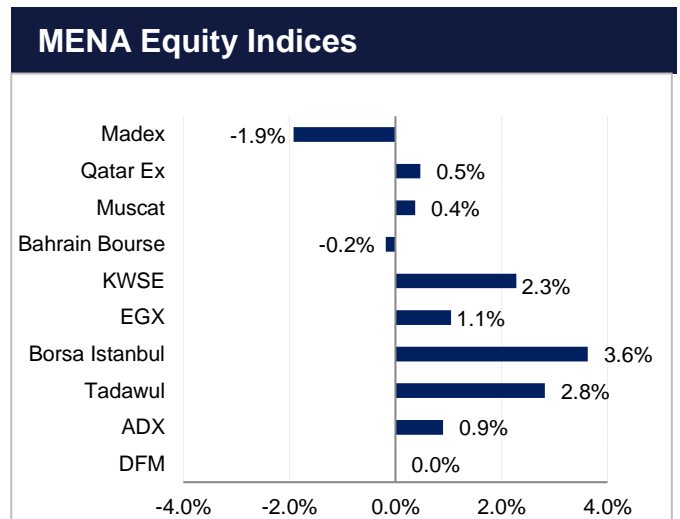
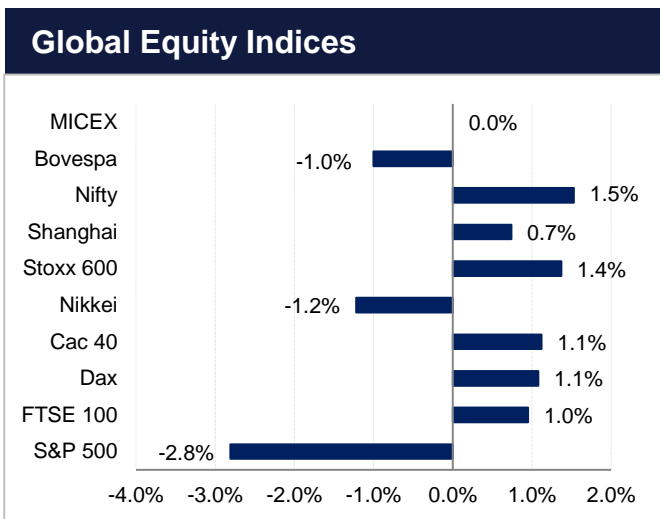
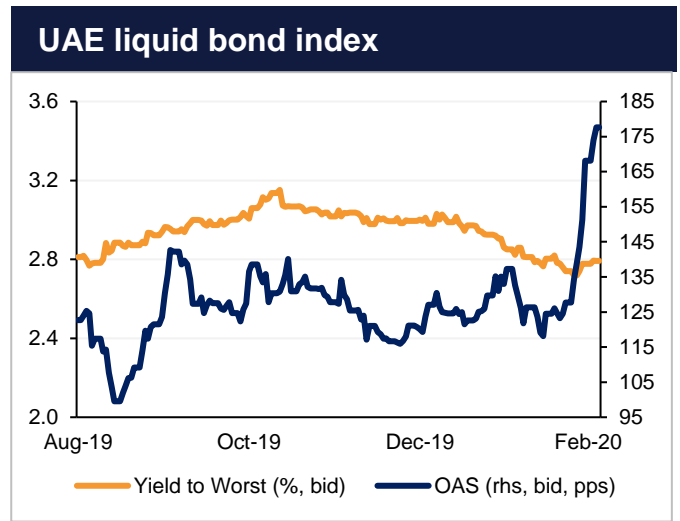
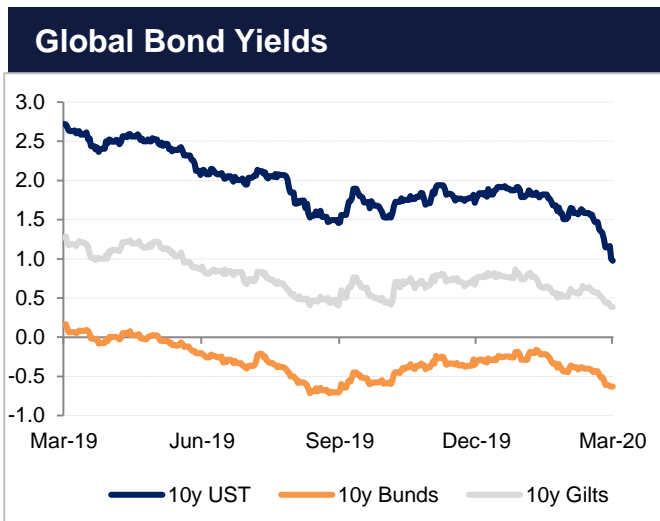
Regional equities closed largely higher. The Tadawul and the KWSE PM index added +2.8% and +2.3% respectively. Gains were primarily led by banking sector stocks with Al Rajhi Bank and National Bank of Kuwait adding +3.4% each.

Commodities

Oil prices are testing higher in early trading today as the market waits on whether OPEC+ will follow through with production cuts at its meeting later this week. Brent is up at USD 52.74/b, a gain of 1.7%, while WTI is 1.6% higher at USD 47.96/b. OPEC's joint technical committee has revised up its recommendation for a production cut for up to 1m b/d, compared with 600k b/d previously, suggesting the drop in demand is much worse than they had expected earlier. With the market primed for at least a 1m b/d cut, any shortfall on that measure could see selling pressure resume.

Gold surged higher, up to USD 1,641/troy oz, on the US Federal Reserve's emergency 50bps rate cut. While a cut was largely expected by the markets, the fact that it came earlier and bigger than expected sent a shock through risk assets as markets worry that the extent of Covid19 may be worse than anticipated.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1173	+0.35	1.1342	USDTRY	6.1080	-1.16	EURAED	4.1036	+0.35
GBPUSD	1.2811	+0.45	1.2861	USDEGP	N/A	N/A	GBPAED	4.7066	+0.47
USDJPY	107.13	-1.11	105.73	USDSAR	3.7522	+0.01	JPYAED	0.0343	+1.13
USDCAD	1.3380	+0.39	1.3412	USDQAR	3.6800	+0.35	CADAED	2.7438	-0.47
AUDUSD	0.6584	+0.72	0.6600	USDKWD	N/A	N/A	AUDAED	2.4180	+0.66
USDCHF	0.9564	-0.30	0.9388	USDBHD	0.3770	--	CHFAED	3.8399	+0.28
EURGBP	0.8721	-0.10	0.8819	USDOMR	0.3850	-0.02	TRYAED	0.6000	+0.94
USDAED	3.6730	--	3.6777	USDINR	70.7225	-0.64	INRAED	0.0552	+8.85

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.6150	1.7725	1.6025	1.8835	USD 2 yr	0.767	-19
USD LIBOR	1.3768	1.3143	1.2520	1.2456	USD 5 yr	0.810	-20
GBP LIBOR	0.6358	0.6395	0.6260	0.7051	USD 10 yr	0.984	-17
JPY LIBOR	-0.1180	-0.0730	-0.0517	0.0332	EUR 2 yr	-0.481	-1
CHF LIBOR	-0.8380	-0.7738	-0.7360	-0.6356	EUR 5 yr	-0.414	-1
					EUR 10 yr	-0.207	-0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1640.90	+3.24	ADGB 6.75 19	2.42	--	Abu Dhabi	44	-4
Silver	17.22	+2.89	DUGB 7.75 20	1.85	-10	Bahrain	196	-15
Oil (WTI)	N/A	N/A	QATAR 5.25 20	2.70		Dubai	116	-2
Aluminium	1708.00	+0.40	US Tsy 2 yr	0.70	-20	Oman	324	-
Copper	5646.75	-0.60	US Tsy 10 yr	1.00	-16	Qatar	50	-3
						Saudi Arabia	76	-7

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
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

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