



بنك الإمارات دبي الوطني  
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www.emiratesnbdresearch.com

## Daily Outlook

Oil markets have recovered ground this week on the expectation that OPEC+ will endorse a new and deeper level of production cuts when the producers' bloc meets starts its meeting later today. Brent prices, which had moved below USD 50/b as fears that the outbreak of Covid19 would ravage oil demand, have moved back to nearly USD 52/b in anticipation of the cuts. How big OPEC+ is prepared to cut output remains unknown but markets appear to be pricing in a cut of at least 1m b/d. While significant in terms of getting the oil market closer to balance by the second half of the year, the scale of cuts appear unlikely to be enough to push prices out of their current range between USD 50-60/b. Initial reports ahead of the meeting suggest that consensus among OPEC+ members remains elusive with Russia seeking to maintain output at current levels and Saudi Arabia pushing for cuts as high as 1.5m b/d.

Economic data from the US for February came in stronger than anticipated. According to the ADP National Employment report, private sector employment increased by 183k in February. However, there was a big downward revision to the January number from an initial increase of 291k to 219k. Most of the gains came from service industries. The US ISM non-manufacturing index seem to support the data as it rose to 57.3 in February from 55.5 in January. The reading was higher than consensus expectations of 54.9. The sub-indices showed strong growth in export orders and continued strength in employment.

Elsewhere, the Bank of Canada joined the Federal Reserve in cutting interest rates by 50 bps to 1.25%. The central bank said that the spread of coronavirus represents a 'material negative shock' to the Canadian and global outlooks. It added further that they stand 'ready to adjust monetary policy further if required to support economic growth and keep inflation on target'.

The IMF announced a USD 50bn aid package to help fight the coronavirus. The money will be available immediately and is for low-income and emerging market economies. Further, countries do not need to have a pre-existing program with the IMF. The money can be used to improve health care systems and targeted fiscal stimulus programs.

### OPEC+ meeting in focus



Source: Bloomberg

### Today's Economic Data and Events

	Time	Cons		Time	Cons
US Initial Jobless Claims	17.30	215k	US Factory Orders	19.00	-0.1%

Source: Bloomberg, Emirates NBD Research.

## **Fixed Income**

Treasuries traded mixed as the short-end of the curve continue to price in further easing in global monetary policy while the long-end took some comfort from encouraging economic data and rise in risk assets. Overall, yields on the 2y UST and 10y UST closed at 0.69% (-1 bp) and 1.05% (+6 bps).

Regional markets continue to see buying interest following move in benchmark yields. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped 7 bps to 2.81% and credit spreads tightened 4 bps to 185 bps.

## **FX**

The dollar has recovered a little after a phase of underperformance against the euro and other major currencies. The narrow trade-weighted USD index (DXY) lifted out of a two-month low at 96.98 to levels around 97.35 currently. AUDUSD saw modest gains, reaching 0.6627 after closing on Tuesday at 0.6584. This comes after the news that Australia's economy expanded faster than forecast in the final quarter of 2019; their GDP rose to 0.5% q/q (expected 0.4%, prior 0.4%) and 2.2% y/y (expected 2.0%, prior 1.7%). UK PMI data was released showing a slightly worse performance than expected. Following the Fed's rate cut, speculation has increased that the BOE will follow suit and do the same, with some estimating a 60% chance of a 50bps cut in March. The Bank of Canada followed the Fed by cutting interest rates by 50bps to 1.25%, helping to keep USDCAD supported around 1.34.

## **Equities**

Developed market equities closed higher as strong economic data and victories of Joe Biden in the Super Tuesday boosted investor sentiment. The S&P 500 index and the Euro Stoxx 600 index added +4.2% and +1.4% respectively.

Regional markets closed sharply lower as investors remained cautious. Banking sector stocks led the decline following the decision of regional central banks to follow the Federal Reserve in cutting rates by 50 bps. Al Rajhi Bank dropped -0.7% and ADCB declined -2.8%.

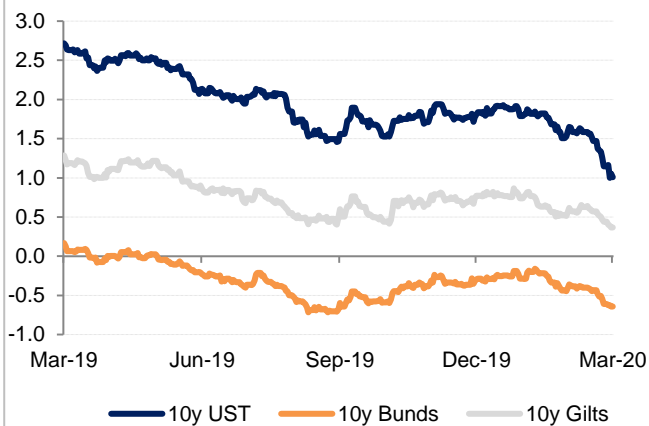
## **Commodities**

Oil markets wavered overnight as OPEC+ production cut expectations were dashed by a lack of Russian commitment to new, deeper targets. Saudi Arabia has reportedly been pushing for cuts of as much as 1.5m b/d while Russia's energy minister has been pushing for keeping targets around their current levels. Brent futures settled at USD 51.13/b, down 1.4%, while WTI gave up 0.9% to close at USD 46.78/b. Both contracts are edging higher today and we would expect price action to remain volatile on headlines coming out of Vienna.

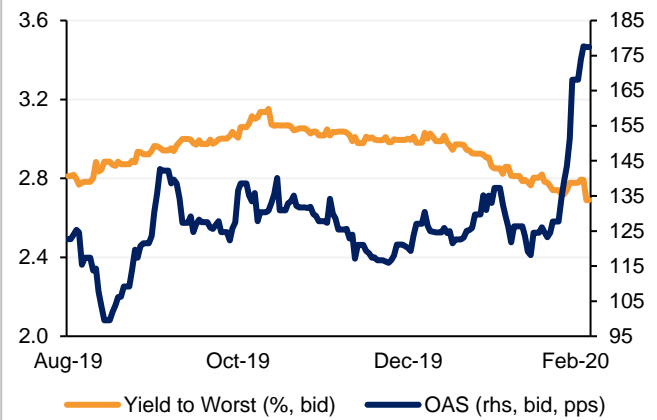
US crude inventories nudged slightly higher last week, up 784k bbl, while there were strong draws across the rest of the barrel. US production gained 100k b/d to move to 13.1m b/d while US crude exports spiked by almost 500k b/d to 4.15m b/d.

## Markets in Charts

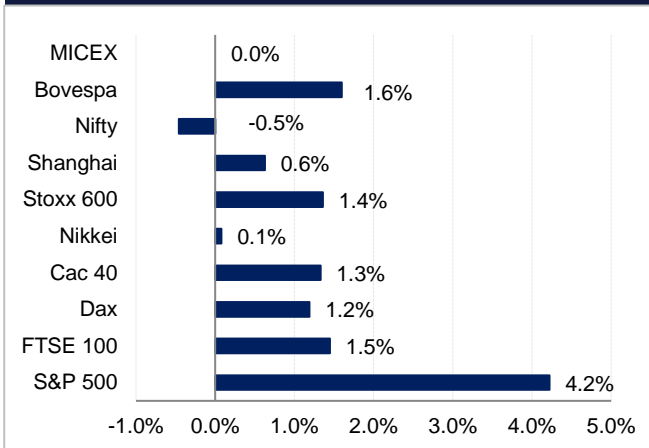
### Global Bond Yields



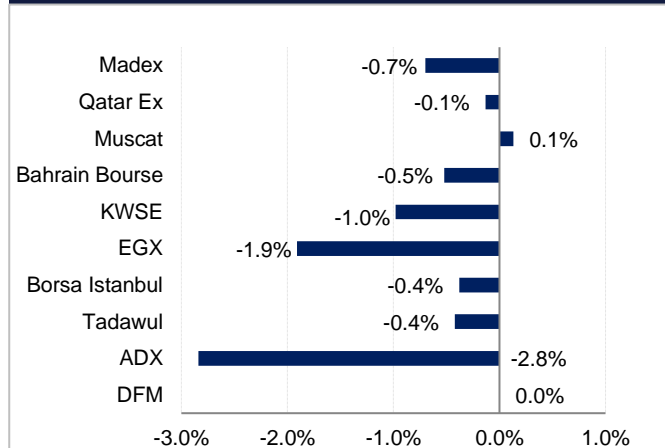
### UAE liquid bond index



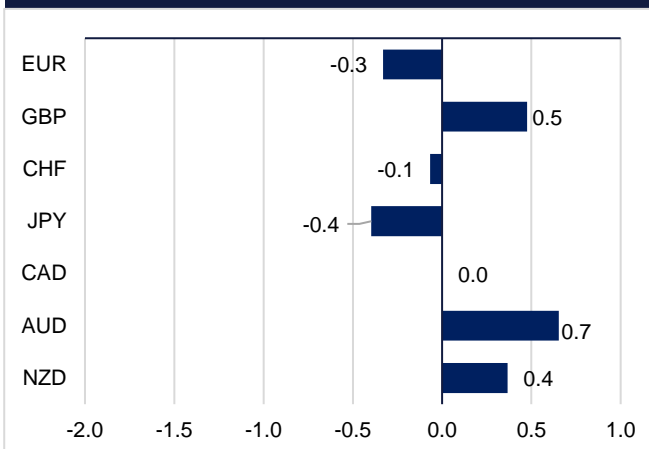
### Global Equity Indices



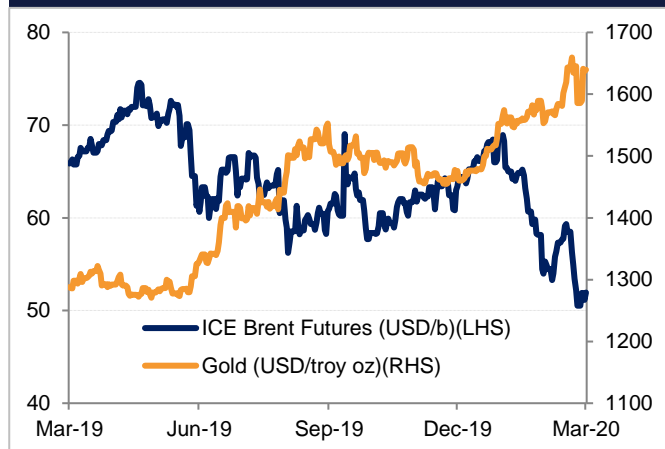
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1136	-0.33	1.1306	USDTRY	6.0772	-0.50	EURAUD	4.0898	-0.34
GBPUSD	1.2872	+0.48	1.2925	USDEGP	N/A	N/A	GBPAED	4.7283	+0.46
USDJPY	107.53	+0.37	106.05	USDSAR	3.7524	+0.01	JPYAED	0.0342	-0.41
USDCAD	1.3385	+0.04	1.3407	USDQAR	3.6800	+0.34	CADAED	2.7440	+0.01
AUDUSD	0.6627	+0.65	0.6639	USDKWD	N/A	N/A	AUDAED	2.4338	+0.65
USDCHF	0.9566	+0.02	0.9388	USDBHD	0.3770	--	CHFAED	3.8376	-0.06
EURGBP	0.8652	-0.79	0.8748	USDOMR	0.3850	--	TRYAED	0.6000	-0.22
USDAED	3.6730	--	3.6775	USDINR	70.7225	-0.64	INRAED	0.0552	+10.35

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.5011	1.6393	1.5393	1.6524	USD 2 yr	0.753	-1
USD LIBOR	1.0163	1.0006	0.9889	0.9675	USD 5 yr	0.846	+4
GBP LIBOR	0.5066	0.5030	0.5045	0.5853	USD 10 yr	1.047	+6
JPY LIBOR	-0.1603	-0.1108	-0.0835	-0.0053	EUR 2 yr	-0.493	-1
CHF LIBOR	-0.8444	-0.7914	-0.7622	-0.6662	EUR 5 yr	-0.428	-1
					EUR 10 yr	-0.219	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1636.93	-0.24	ADGB 6.75 19	2.42	--	Abu Dhabi	45	+1
Silver	17.22	-0.01	DUGB 7.75 20	1.63	-23	Bahrain	185	-11
Oil (WTI)	N/A	N/A	QATAR 5.25 20	2.70		Dubai	116	-
Aluminium	1715.75	+0.45	US Tsy 2 yr	0.69	-1	Oman	324	-
Copper	5663.50	+0.30	US Tsy 10 yr	1.05	+5	Qatar	50	-
						Saudi Arabia	73	-3

Source: Bloomberg, Emirates NBD Research

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