



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

The Federal Reserve announced a 100bp cut to the Fed Funds rate on Sunday, ahead of its scheduled meeting this week, and a raft of other measures to support the economy and financial system, including at least USD 700bn in QE. The Fed also cut the rate on the discount window and will offer discount loans of up to 90-days. Chairman Powell said that Q2 growth was likely to be weak, but that given the uncertainty about how long the virus-related disruption would last, the Fed would not be releasing new economic forecasts until June. The statement suggests rates will remain at current levels for an extended period until the FOMC is "confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals". Powell also underlined the need for fiscal policy support for affected sectors and workers.

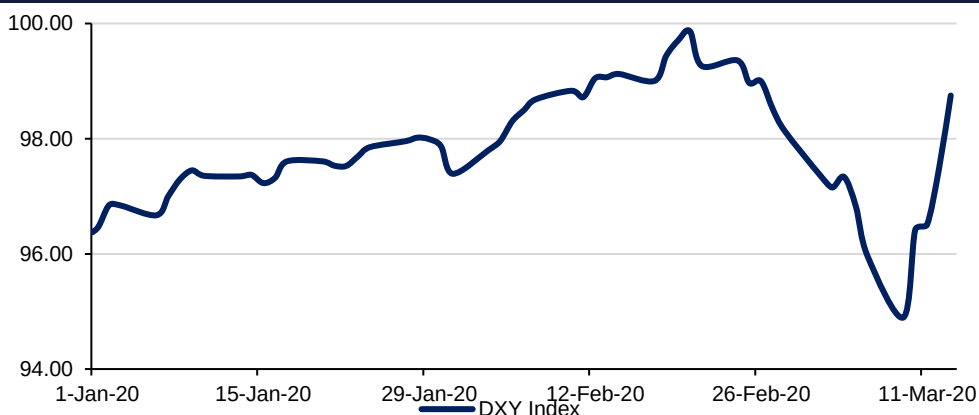
Fiscal policy did finally show up in governments' policy responses over the weekend. President Trump announced a national emergency to unlock an extra USD 50bn in funds to fight the coronavirus, while the **House of Representatives passed an economic relief plan** to ensure paid sick leave of up to two weeks, free coronavirus testing, increased food aid, higher funding for Medicaid, and enhanced unemployment benefits. The Senate is expected to approve the legislation in the coming days.

In Europe, after the ECB surprised markets by keeping rates unchanged last Thursday, **EU officials indicated that fiscal rules would be relaxed**, allowing governments across the bloc to boost spending and provide financial support to businesses. Germany will make EUR 550bn available to businesses through its state bank, to minimise job losses and enable them to continue to operate. Finance Minister Scholz also said Germany would be willing to take on debt to finance more fiscal stimulus. The European Commission will also set aside funds to support businesses, healthcare systems and SMEs.

The Bank of Canada cut its benchmark rate by another 50bp to 0.75% on Thursday in an unscheduled decision, after cutting by 50bp at its regular March meeting a week earlier. The BoC said it stood ready to ease further if needed, and also announced new facilities to provide liquidity to SMEs, citing lower oil prices as well as the impact of the coronavirus on the economy.

The **PBOC lowered the required reserve ratio for banks that lend to SMEs and private firms**, to release an estimated RMB 550bn in liquidity. PBOC also offered an additional RMB 100bn in a one-year lending facility this morning, injecting more liquidity into the system but keeping the interest rate unchanged.

Dollar Index rebounds last week



Source: Bloomberg

Today's Economic Data and Events

	Time	Cons		Time	Cons
US Empire manufacturing index	16:30	4.9			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed mixed as markets saw intervention from the Federal Reserve. Yields on the 2y UST and 10y UST ended the week at 0.49% (-1 bp w-o-w) and 0.96% (+20 bps w-o-w).

The New York Fed acquired USD 37bn of USTs across the curve and said that those were intended to 'address highly unusual disruptions in the market'. The operation was part of a measure announced by the Federal Reserve to widen the scale of its purchases to a range of maturities including bills, notes, TIPS and other instruments. The second part of the measure announced saw the New York Fed offer USD 500bn in a three-month repo operation and a one-month operation.

Regional bonds saw massive sell-off as investors pared position. The YTW on Bloomberg Barclays GCC Credit and High Yield index rose 95 bps w-o-w to 3.83% and credit spreads widened 83 bps w-o-w to 290 bps.

FX

EURUSD fell for the first time in four weeks, losing 1.57% to close at 1.1107. Earlier in the week, the price has climbed to a new 2020 high of 1.1495, breaking the 100-week and 200-week moving averages (1.1330 and 1.1347) before surrendering these gains and closing below the 50-week moving average (1.1122). While this is technically bearish for the price, analysis of the daily candle chart reveals that daily support was found at the 100-day moving average on Thursday and Friday (1.1068) and support at this level helped the price close the week above the 200-day moving average (1.1100). While the price remains higher than 1.1070 on the daily close, we expect a Q1 2020 finish above the 1.12 level. However, should the 1.1070 level fail to hold, we could see a quick retest of the 38.1% one year Fibonacci retracement (1.1052) and 50-day moving average (1.1044). Should these levels be breached, a more significant decline towards 1.0950 cannot be ruled out.

Over the last five trading days, EURUSD declined by 5.92% to close the week at 1.2278, the lowest weekly close since October 2019. The movement involved in this decline saw the price break below many key technical levels including the 61.8%, 50%, 38.2% and 23.6% one year-Fibonacci retracements (1.2920, 1.2736, 1.2553 and 1.2326 respectively). In addition to this, the 50, 100 and 200-day moving averages were also broken (1.2974, 1.2985 and 1.2708). Finally the price broken below the 50-week moving average (1.2751) for the first time in 23 weeks, and sustained this break. This is technically bearish for the price and while great volatility can continue to be expected, downside risks are likely to remain.

Equities

Most regional equity indices started the week on a negative note. The DFM index and KWSE PM index dropped -3.4% and -6.5% respectively. The Kuwaiti stock market started its operations today after a mid-week pause last week. The circuit limits have been lowered to -5.0%. The sell-off continues to remain broad based.

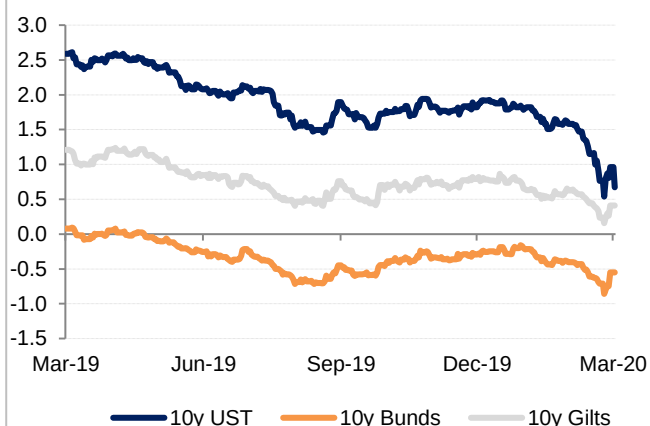
Saudi Aramco announced its 2019 corporate earnings. The net profit dropped 21% y/y to SAR 330.7bn while revenues for the full year came in at SAR 1.11tn. The company said that the capital expenditure for 2020 will be between USD 25bn and USD 30bn, lower than 2019's USD 32.8bn and initial estimates of between USD 35bn and USD 40bn.

Commodities

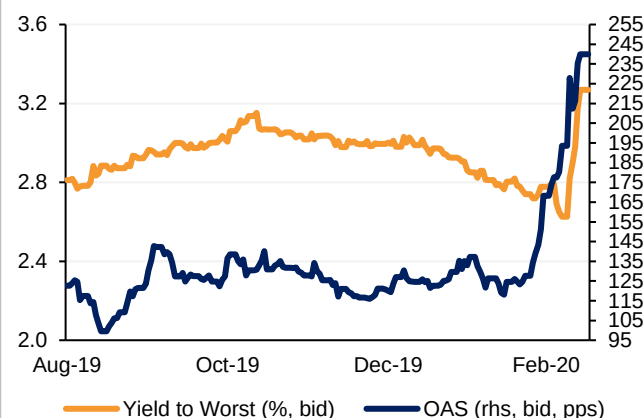
Oil markets collapsed last week under the weight of the Saudi-Russia price war, a complete exodus from risk assets and escalating panic over the spread of Covid19. Travel restrictions imposed by countries are now not a matter of if but when and who's next. The US has announced a state of emergency, France and Spain have imposed lockdowns to try and control the spread of the virus and several additional countries have imposed border closures. We don't think the dust has entirely settled yet but at the end of the week Brent futures closed at USD 33.85/b, down 25%, while WTI fell to USD 31.73/b, a drop of 23%. Both contracts recorded their largest weekly decline since the Global Financial Crisis.

Markets in Charts

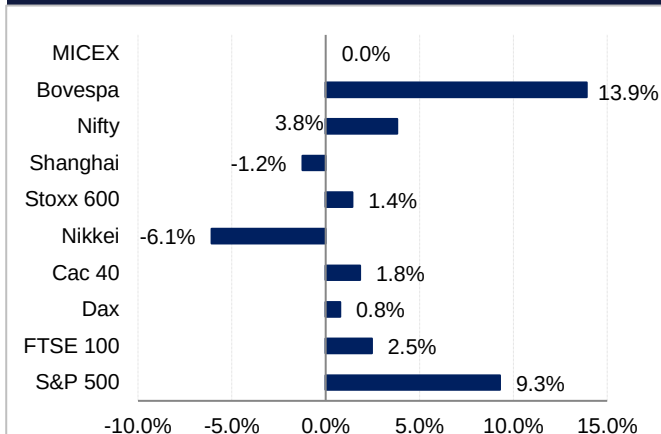
Global Bond Yields



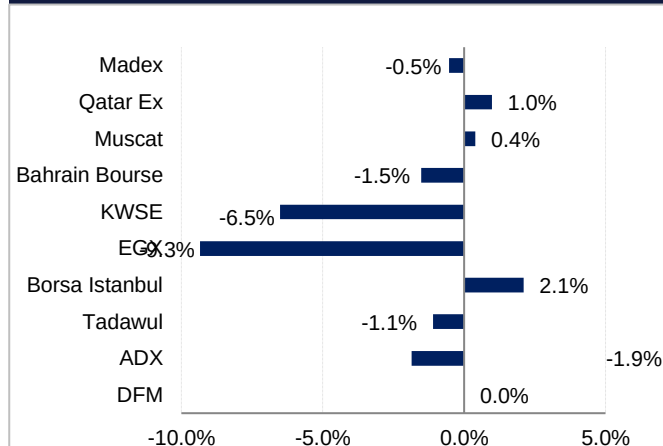
UAE liquid bond index



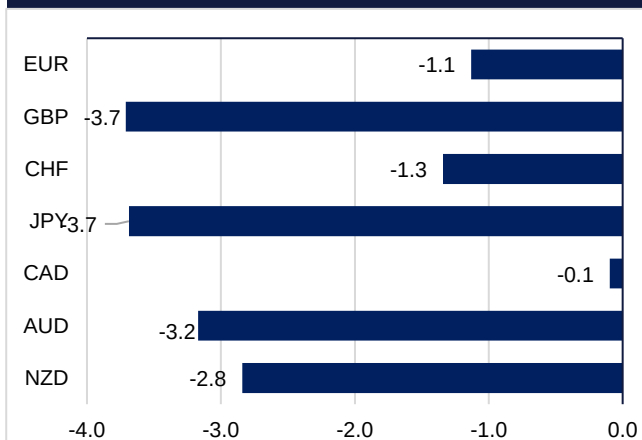
Global Equity Indices



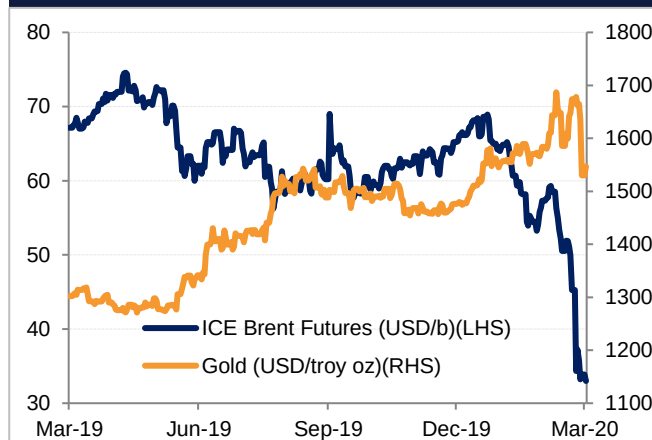
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1107	-1.13	1.1250	USDTRY	6.3331	+1.64	EURAUD	4.0985	-0.68
GBPUSD	1.2278	-3.71	1.2309	USDEGP	N/A	N/A	GBPAED	4.6193	-1.38
USDJPY	107.62	+3.63	105.99	USDSAR	3.7570	+0.03	JPYAED	0.0346	-2.27
USDCAD	1.3806	+0.09	1.3792	USDQAR	3.6800	+0.40	CADAED	2.6592	-0.14
AUDUSD	0.6203	-3.17	0.6182	USDKWD	N/A	N/A	AUDAED	2.3138	-1.67
USDCHF	0.9517	+1.36	0.9358	USDBHD	0.3776	+0.07	CHFAED	3.8836	-0.73
EURGBP	0.9034	+2.54	0.9128	USDOMR	0.3849	-0.07	TRYAED	0.5800	-1.61
USDAED	3.6730	--	3.6833	USDINR	70.7225	-0.64	INRAED	0.0552	+11.57

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0472	1.2718	1.2951	1.2237	USD 2 yr	0.529	+9
USD LIBOR	0.8001	0.8431	0.8214	0.8216	USD 5 yr	0.782	+20
GBP LIBOR	0.2818	0.5055	0.6111	0.7146	USD 10 yr	0.963	+27
JPY LIBOR	-0.2472	-0.1252	-0.1250	-0.0173	EUR 2 yr	-0.393	+13
CHF LIBOR	-0.8502	-0.7940	-0.7452	-0.6366	EUR 5 yr	-0.272	+16
					EUR 10 yr	-0.095	+20

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1529.83	-2.94	ADGB 6.75 19	2.42	--	Abu Dhabi	103	-21
Silver	14.72	-11.64	DUGB 7.75 20	3.12	-15	Bahrain	429	+58
Oil (WTI)	N/A	N/A	QATAR 5.25 20	2.70		Dubai	262	+39
Aluminium	1662.35	+1.41	US Tsy 2 yr	0.49	+1	Oman	496	--
Copper	5447.75	+0.42	US Tsy 10 yr	0.96	+16	Qatar	111	-26
						Saudi Arabia	65	+5

Source: Bloomberg, Emirates NBD Research

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