بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

The ECB held an emergency call last night where it agree to an extra bond buying programme worth EUR 750bn. The move should help to lower yields on European sovereign bonds which have risen as governments have announced additional spending measures in response to the impact of the coronavirus on economies. ECB President Lagarde reiterated the bank's commitment to the euro.

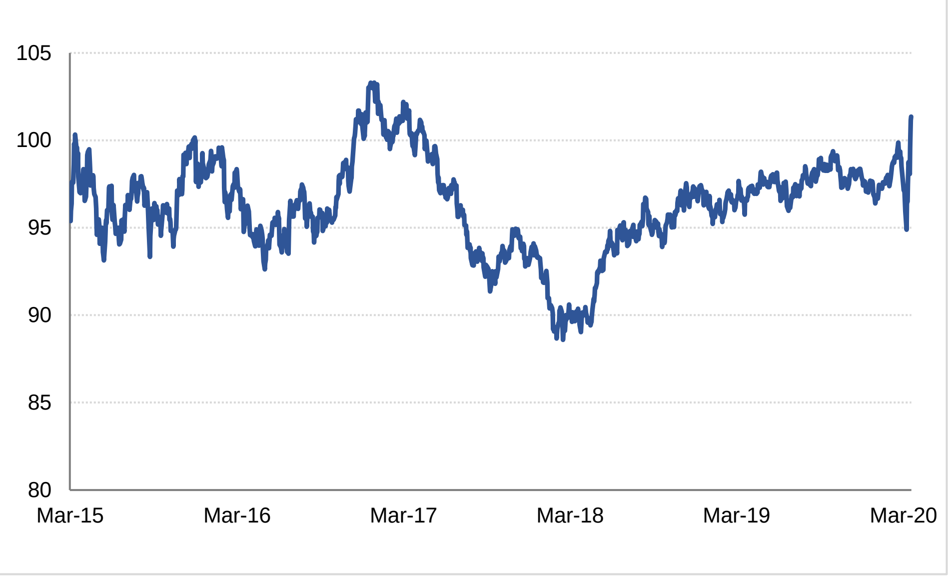
The RBA cut its benchmark rate by 25bp to 0.25% this morning in line with expectations, and said it would target a yield of 0.25% on three-year Australian government bonds. The RBA also announced a term funding facility to support SMEs and other measures to ensure sufficient liquidity in the financial system, including longer term repos.

A flight to safe-haven assets and reduced liquidity has benefitted the USD, with the Bloomberg dollar index at a three year high. GBP fell sharply overnight to its lowest level agains the USD in 35 years on doubts about the government's response to the coronavirus as well as concerns that a potential lock-down of London would further reduce liquidiy in fx markets. In more positive news, the **Bank of England provided details on its new COVID commercial lending facility**, which will buy commercial paper of up to 1 year maturity in a minimum size of GBP 1mn for firms making a "material contribution to the economy".

US housing starts declined by a less than forecast at -1.5% m/m in February, following a revised 1.4% rise in January. However, mortgage applications last week declined -8.4% from the week before. Key data today will be initial jobless claims for last week, which are forecast to have increased by 220k.

The UAE has paused the issuance of visas on arrival in the UAE and won't allow residents currently outside the country to return for two weeks, as it imposes stricter measures to combat the spreak of COVID-19. Reuters reports that the steering committee of Expo 2020 will reassess the situation in the coming weeks. Dubai's CPI declined -0.3% m/m and -1.2% y/y in February with lower housing costs continuing to offset higher prices in some other components of the index.

USD index at 3 year high



Source: Bloomberg

Today's Economic Data and Events

German IFO business climate	13:00		US initial jobless claims	16:30	220k

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed lower as investors are forced to sell whatever they can to raise cash. Yields on the 2y UST and 10y UST closed at 0.53% (+4 bps) and 1.19% (+12 bps) respectively.

Regional bonds continued to remain under pressure. The YTW on Bloomberg Barclays GCC Credit and High Yield index rose 36 bps to 4.56% and credit spreads widened 17 bps to 345 bps.

FX

The USD is surging as demand for liquidity is rising pressuring both bonds and equities in the process amidst the deepening global pandemic. GBP is the worst affected major currency as the UK's approach to the crisis has been criticized with the government there only this week adopting emergency measures deployed in other parts of the world. Markets are also guessing that with London likely to come under lockdown soon an important part of the global financial system will be affected further reducing liquidity in the global FX market. GBPUSD at 1.15 is at the lowest level since 1985, having dropped approximately 5% since yesterday.

The NOK also fell 13% to reach an all-time low yesterday. Meanwhile the ECB announced a 750 billion euros temporary asset purchase program, which has helped the EUR to steady around 1.09 this morning, having fallen to 1.08 yesterday. The RBA has also made another interest rate cut to 0.25% from 0.5%, saying that it would target a yield of 0.25% on three-year Australian government bond, as the AUD has plunged to 0.55 this morning, down almost 4% since yesterday and 7.5% since Tuesday.

Equities

Developed market equities closed lower as volatility continued to remain high and worries over the impact of coronavirus on global economy continued. The S&P 500 index and the Euro Stoxx 600 index dropped -5.2% and -3.9% respectively.

Regional markets closed mixed with some buying interest coming back. The DFM index and the Tadawul added +1.0% and +0.8% respectively.

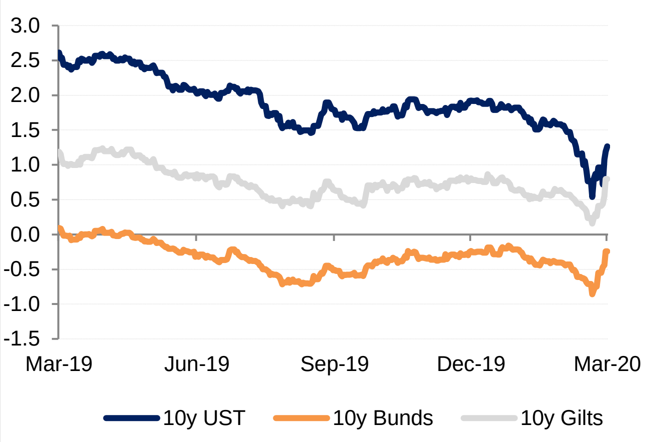
Commodities

Oil markets continue to display irrational and radical moves with enormous intraday swings. As the market struggles to accurately price in how badly demand has been destroyed along with the expected tsunami of supply expected from Saudi Arabia, Russia and others over the coming weeks these extreme moves will likely be with us for some time. There is little point in taking a firm conviction about "where the bottom" will be as a low point may only be touched for one day before skyrocketing higher the next.

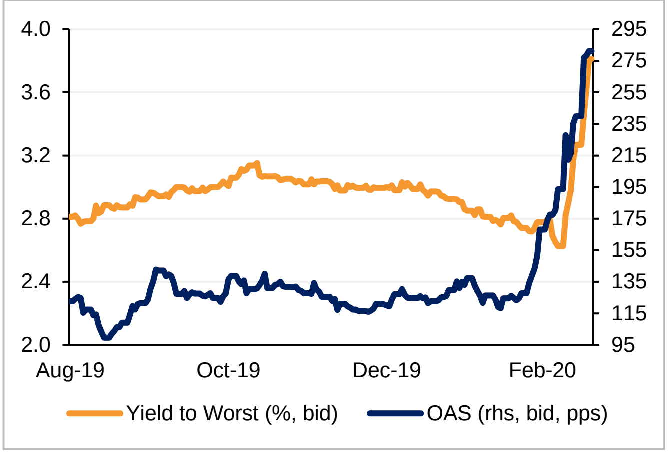
Earlier this week we wrote that we didn't think the "dust had settled" following the Saudi-Russian declaration of a price war. Even with yesterday's extreme moves we still don't think we are out of this volatile cycle. Brent moved to USD 24.88/b overnight, down 13.4%. WTI showed even more extreme moves, down by almost 26% at one point before settling at USD 20.37/b, down 24%.

Markets in Charts

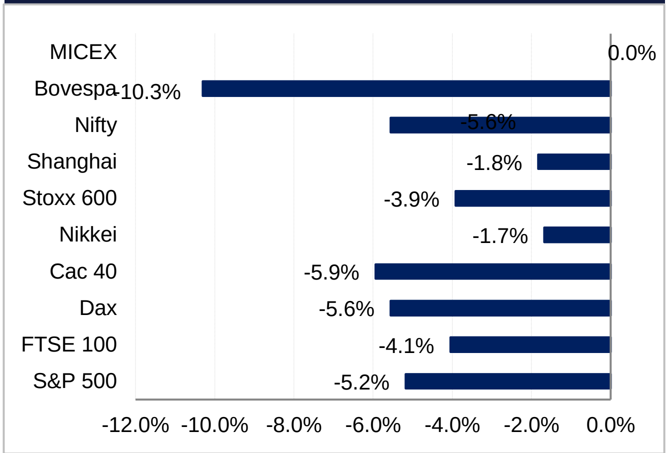
Global Bond Yields



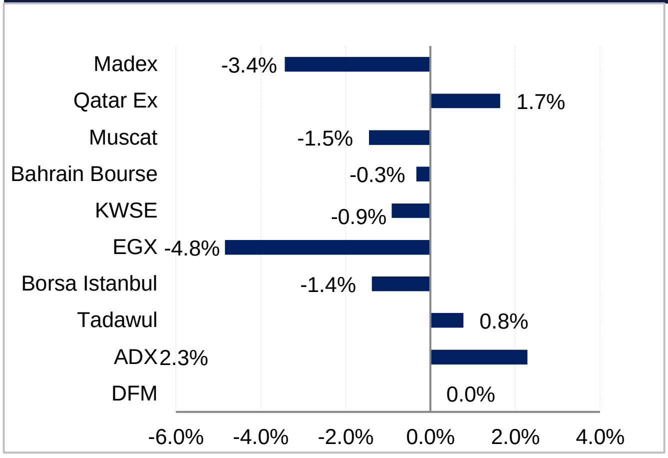
UAE liquid bond index



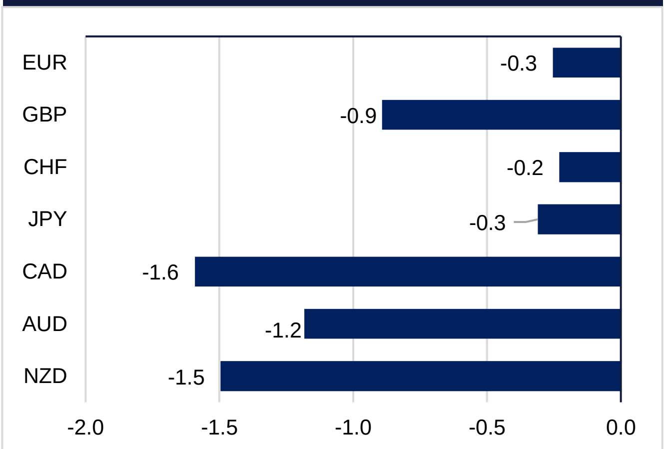
Global Equity Indices



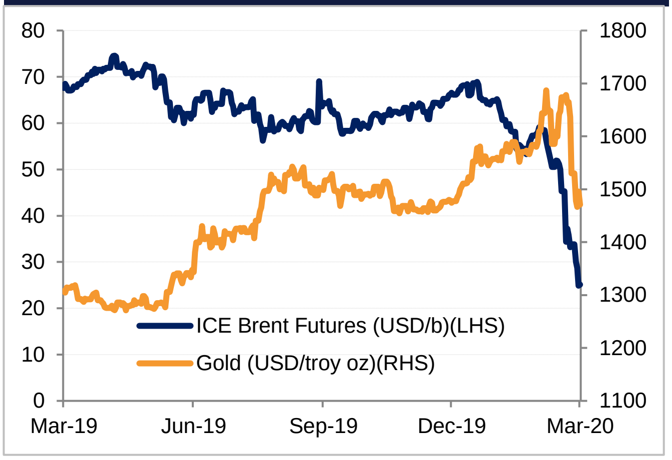
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1000	-0.25	1.1131	USDTRY	6.4632	-0.33	EURAED	4.0397	-0.26
GBPUSD	1.1992	-0.89	1.2022	USDEGP	N/A	N/A	GBPAED	4.4045	-0.90
USDJPY	107.32	+0.28	106.09	USDSAR	3.7620	+0.11	JPYAED	0.0342	-0.30
USDCAD	1.4317	+1.62	1.4282	USDQAR	3.6800	+0.46	CADAED	2.5654	-1.60
AUDUSD	0.5930	-1.18	0.5921	USDKWD	N/A	N/A	AUDAED	2.1780	-1.18
USDCHF	0.9596	+0.24	0.9435	USDBHD	0.3776	-0.01	CHFAED	3.8276	-0.23
EURGBP	0.9173	+0.65	0.9259	USDOMR	0.3850	+0.01	TRYAED	0.5700	+0.63
USDAED	3.6730	--	3.6826	USDINR	70.7225	-0.64	INRAED	0.0552	+11.60

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9813	1.1038	1.2791	1.2692	USD 2 yr	0.542	+7
USD LIBOR	0.7729	1.1158	0.9520	0.8894	USD 5 yr	0.775	+13
GBP LIBOR	0.2723	0.5334	0.6323	0.7108	USD 10 yr	0.999	+19
JPY LIBOR	-0.1720	-0.0880	-0.0415	0.0772	EUR 2 yr	-0.350	+4
CHF LIBOR	-0.8838	-0.8048	-0.7568	-0.6436	EUR 5 yr	-0.162	+9
					EUR 10 yr	0.061	+9

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1486.05	-2.76	ADGB 6.75 19	2.42	--	Abu Dhabi	136	+23
Silver	12.40	+2.15	DUGB 7.75 20	4.66	+75	Bahrain	458	+19
Oil (WTI)	N/A	N/A	QATAR 5.25 20	2.70		Dubai	302	-21
Aluminium	1626.25	-0.25	US Tsy 2 yr	0.53	+4	Oman	571	+2
Copper	4729.50	-7.78	US Tsy 10 yr	1.19	+11	Qatar	167	+37
						Saudi Arabia	225	+40

Source: Bloomberg, Emirates NBD Research

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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