



بنك الإمارات دبي الوطني
Emirates NBD

Daily
2 April 2020

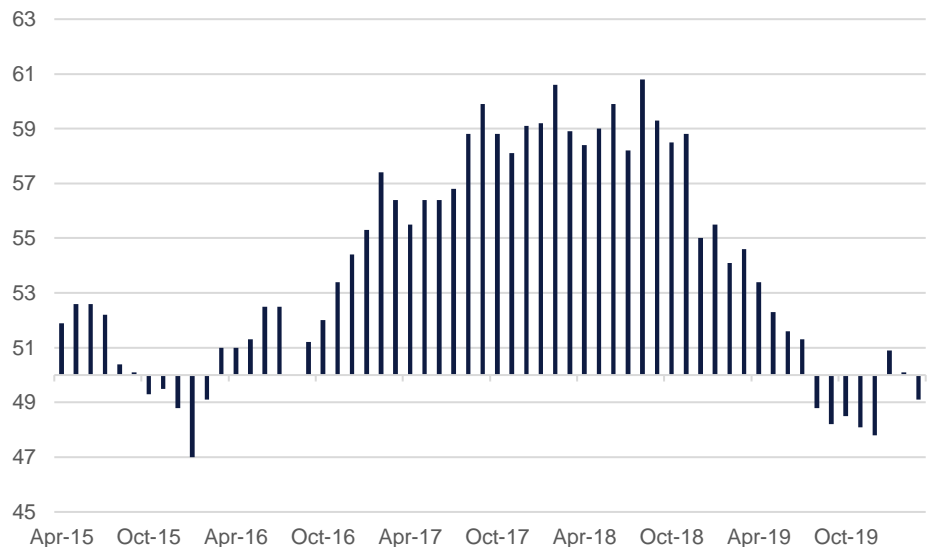
Daily Outlook

The ISM manufacturing survey for the US was released yesterday, falling from 50.1 to 49.1. While this is in contractionary sub-50 territory, it exceeded expectations of 44.5. However, the headline figure actually masks indications that there is a far more severe downturn on the way. Many of the ill effects of pandemic-related shutdowns in the US had not yet manifested themselves at the time of the survey, enabling the headline figure to come in better than expected, but new orders and employment still slowed at the fastest pace since the global financial crisis. With both of these slowing at such a rapid clip, it seems likely the headline figure of 49.1 somewhat understates the actual state of affairs in US factories, and that a far worse reading looms for April. This stands in contrast to the China PMI figures released this week which indicated that China is past the worst, with activity picking up.

The ISM survey supports what we have seen in terms of new jobless claims, with last week's 3.3mn new claimants more than four times the previous record. Non-farm payroll numbers for March are released tomorrow, with consensus forecasts predicting a net fall of 100,000, compared to 273,000 new jobs reported in February.

The US environment of falling orders and mounting job losses chimes with what has been seen in the UK and Eurozone, where final PMI numbers were released yesterday. Both indices fell modestly from the flash readings, with the UK dropping from 48.0 to 47.8 and the Eurozone from 44.8 to 44.5. Italy's 40.3 was a 131-month low. All of these headline survey figures would have been higher had they not been boosted by supplier delays, which usually indicate robust demand but are currently a sign of disruption. In the UK, jobs were cut at the fastest level since 2009. European economies have been extending and deepening their lockdowns in recent days, indicating that there will be no improvement in the survey released next month.

US manufacturing PMI contracts less than feared



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

IN Manf PMI	9:00	--	US trade balance	16:30	-USD40bn
US Factory orders	18:00	0.2%	US Durable goods orders	18:00	1.2%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher as risk-off mood returned. USTs received another boost following an announcement by the Federal Reserve that it was temporarily easing the supplementary leverage ratio for one year, excluding USTs and deposits at Federal Reserve banks from the calculation of the leverage ratio. The USD swap spreads jumped on the announcement. Overall, yields on the 2y UST and 10y USTs ended the day at 0.20% (-4bps) and 0.58% (-8bps) respectively.

Regional bonds came under renewed pressure at the start of the new quarter. The YTW on Bloomberg Barclays GCC Credit and High Yield index rose to 4.76% while credit spreads widened further to 415 bps.

The credit rating adjustment continues in the GCC. Moody's placed on review for downgrade the Aa3 and A1 long-term deposit rating of National Bank of Kuwait and Kuwait Finance House. The rating agency said that primary driver behind the move is the potential weakening of the Kuwaiti government's capacity to provide support in case of need. S&P revised the outlook on Batelco ratings to stable from positive.

FX

The dollar was mixed on Wednesday, regaining losses it suffered towards the end of Tuesday with narrow ranges despite an overall risk-off tone as COVID-19 cases and deaths continued to mount. Wall Street was sharply lower overnight, while Treasury yields fell. Incoming data was better than expected, with ADP jobs losses less than forecast, and the manufacturing ISM falling less than expected. The risk-off theme also supported the Yen against other major currencies, while there is an increasingly soft bias in the Euro - its underperformance, giving further strength to the dollar.

Equities

Developed market equities started the new quarter on a negative note as worries of a prolonged halt in economic activity gathered pace. The continued drop in oil prices and announcements of dividend cancellations also weighed on investor sentiment. The S&P 500 index and the Euro Stoxx 600 index dropped -2.9% and -4.4% respectively.

The Tadawul (+1.0%) was a notable exception in what was a negative day of trading for regional markets. The DFM index and the KWSEPM index lost -2.9% and -1.8% respectively. Emaar-related names remained under pressure following their decision to not pay dividends for 2019. The Tadawul was led higher by strength in market heavyweights with Saudi Aramco gaining +1.5% and Saudi Telecom adding +2.9%. The government of Saudi Arabia also decided to list all government assets planned for privatization on the Tadawul after their IPOs.

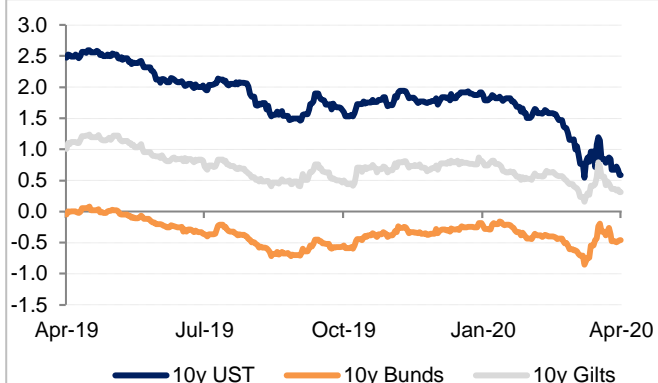
Commodities

Oil prices are higher in early trading today, supported by news that US president Donald Trump has been pressuring both Russia and Saudi Arabia for some form of oil production restraint. Brent futures are up almost 6% at USD 26.18/b while WTI is up 4.6% at USD 21.24/b. Russian officials conceded that producing at current prices was no longer profitable but have yet to endorse a production cut strategy. Meanwhile, Saudi Arabia increased production apparently immediately after the breakdown of OPEC+ in March with total production in the month of 10m b/d, up almost 300k b/d m/m.

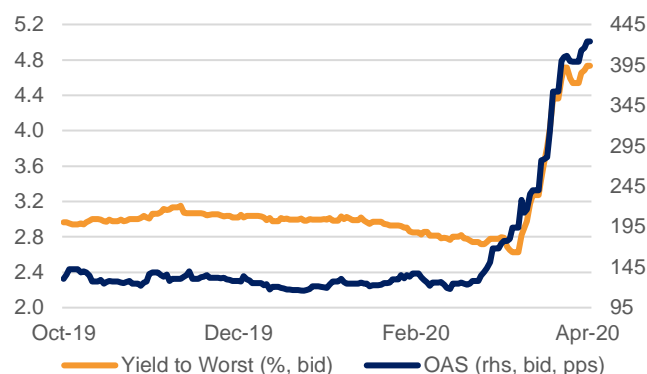
US crude inventories rose 13m bbl last week as shutdowns across the country crimp demand. Product supplied, a proxy for demand, fell by 1.5m b/d including a 2.2m b/d drop in apparent gasoline consumption. Production, so far, has held stable at 13m b/d while exports fell by around 700k b/d to 3.2m b/d.

Markets in Charts

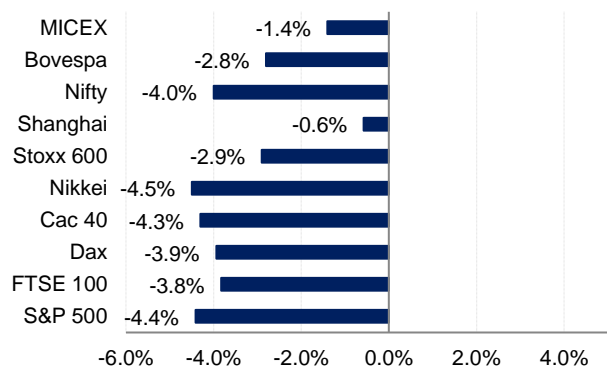
Global Bond Yields



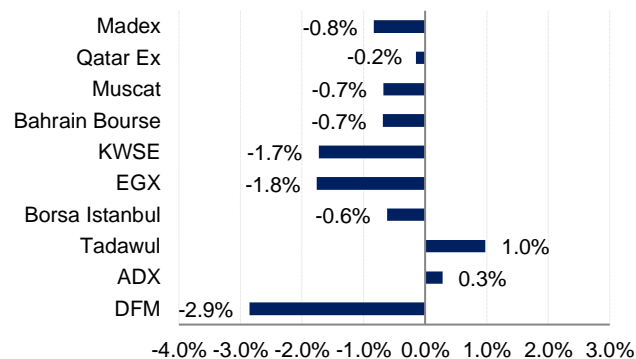
UAE liquid bond index



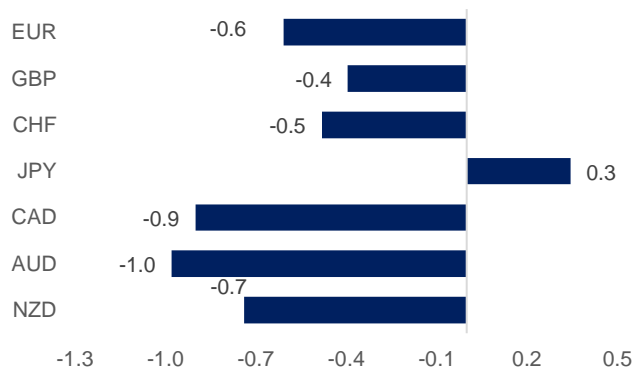
Global Equity Indices



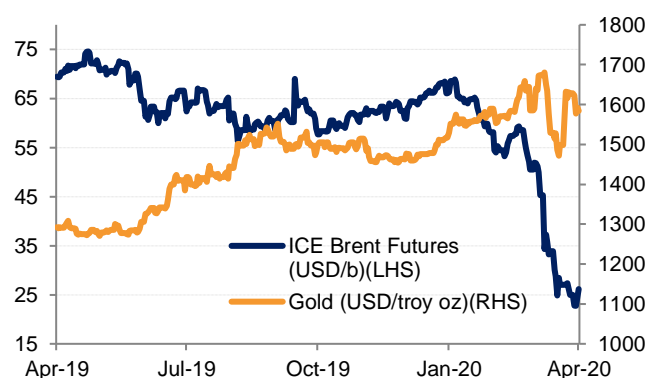
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0964	-0.61	1.1085	USDTRY	6.7026	+1.32	EURAUD	4.0271	-0.61
GBPUSD	1.2371	-0.39	1.2398	USDEGP	15.7505	+0.00	GBPAED	4.5434	-0.35
USDJPY	107.17	-0.34	105.98	USDSAR	3.7648	+0.00	JPYAED	0.0343	+0.35
USDCAD	1.4191	+0.92	1.4167	USDQAR	3.6800	+0.16	CADAED	2.5878	-0.89
AUDUSD	0.6071	-0.98	0.6070	USDKWD	0.3128	-0.15	AUDAED	2.2306	-0.98
USDCHF	0.9660	+0.51	0.9530	USDBHD	0.3792	+0.04	CHFAED	3.8027	-0.49
EURGBP	0.8861	-0.24	0.8939	USDOMR	0.3851	-0.01	TRYAED	0.5500	-0.94
USDAED	3.6730	--	3.6817	USDINR	70.7225	-0.64	INRAED	0.0552	+13.28

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.2546	1.7129	1.5213	1.3546	USD 2 yr	0.478	-1
USD LIBOR	1.0163	1.4365	1.1953	1.0024	USD 5 yr	0.510	-1
GBP LIBOR	0.2345	0.5745	0.7199	0.8336	USD 10 yr	0.679	-4
JPY LIBOR	-0.0783	-0.0413	-0.0032	0.1103	EUR 2 yr	-0.312	+1
CHF LIBOR	-0.7504	-0.6176	-0.5540	-0.4224	EUR 5 yr	-0.236	-0
					EUR 10 yr	-0.040	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1591.51	+0.91	ADGB 6.75 19	2.42	--	Abu Dhabi	125	+9
Silver	13.96	-0.08	DUGB 7.75 20	4.04	-22	Bahrain	479	+3
Oil (WTI)	20.31	-0.83	QATAR 5.25 20	2.70		Dubai	283	-13
Aluminium	1464.85	-1.85	US Tsy 2 yr	0.21	-4	Oman	672	+10
Copper	4785.25	-3.11	US Tsy 10 yr	0.58	-9	Qatar	140	+11
						Saudi Arabia	190	+15

Source: Bloomberg, Emirates NBD Research

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