



بنك الإمارات دبي الوطني
Emirates NBD

Daily
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Daily Outlook

Abu Dhabi launched a USD 7bn bond issue yesterday, selling USD 2bn in 5yr bonds, USD 2bn in 10yr bonds and a USD 3bn 30yr tranche. While the emirate is in strong fiscal position relative to other GCC states, much lower than expected oil prices and the economic impact of the coronavirus are likely to result in a budget deficit this year. We estimate a consolidated UAE budget deficit of 6.5% of GDP in 2020.

The minutes of the FOMC's March meeting noted that the outlook for the US economy had deteriorated sharply and was "profoundly uncertain", that consumption was likely to be negatively affected due to restrictions on movements, and that there was further downward pressure on inflation due to weaker demand, lower oil prices and stronger dollar. The decision to cut the Fed Funds rate to 0-0.25% was not unanimous however, with a few participants preferring a smaller 50bp cut. In the end, only Loretter Mester voted against the Fed's action. The Fed's other measures were aimed at ensuring the smooth functioning of financial markets, and the statement reiterated that the Fed was prepared to use its full range of tools to maximise employment and price stability.

US data continued to deteriorate, with mortgage applications falling -17.9% in the week of 3 April to the lowest level since October 2015. The Bloomberg US consumer comfort index also recorded its biggest weekly drop ever last week as it fell to 49.9, its lowest reading since October 2017. In political news, Bernie Sanders suspended his campaign to become the Democratic presidential nominee, leaving Joe Biden as the presumptive nominee to run against President Trump in November.

ECB President Lagarde renewed her calls for a stronger fiscal response to the crisis in Europe, after finance ministers failed to agree on a EUR 500bn package on Wednesday. New cases of the coronavirus rose in Italy and Spain while the number of deaths in the UK and Belgium rose as well.

The mounting pressure the coronavirus pandemic is exerting on North African countries is becoming increasingly apparent. In addition to domestic shutdowns, dollar inflows from tourism and remittances are drying up, exerting pressure on the economies' balance of payments, even as some of them benefit from lower oil prices. Morocco has turned to the IMF to access funds from its credit line for the first time, to the tune of around USD 3bn. The credit line has provided a valuable support to Morocco's creditworthiness since 2012, but this is the first time it has been drawn upon, as the Bank al-Maghrib said it was necessary to keep FX reserves at an 'adequate level to consolidate confidence of foreign investors.' In Egypt meanwhile, FX reserves fell by a record USD 5.4bn in March according to a CBE statement released Tuesday. Alongside the diminished tourism and remittances inflows, Egypt has also been hit by lower tonnage through the Suez Canal and by portfolio outflows, as its position as the global carry trade darling has not been sufficient to offset the pandemic-driven risk-off sentiment. Egypt has completed its IMF programme which began in 2016 and it had been mooted that a new, non-monetary programme would be agreed, but the deeper the impact of the pandemic, the more likely that a monetary arrangement will be needed. For the time being, Egypt still has around eight months import cover however.

Today's Economic Data and Events

UK Industrial Production m/m	10:00	0.1%	UK Manuf. Production	10:00	0.1%
ECB March meeting minutes	15:30	n/a	Canada March Employment	16:30	-500k
US Initial Jobless Claims	16:30	5500k	US Uni. Of Michigan Sentiment	18:00	75.0

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries traded mixed on the back of revival in risk sentiment late in the trading session. The curve continued to steepen with yields on the 2yr UST and 10yr UST ending the day at 0.25% (-1 bp) and 0.77% (+6 bps) respectively. The minutes from the last emergency Federal Reserve meeting showed that officials were worried of a contagion effect even as opinions differed on how long the impact will last on the economy.

Regional bonds saw muted buying interest in secondary market which in turn could be a reflection on interest shifting to primary market as GCC sovereigns look to raise funds. The YTW on Bloomberg Barclays GCC Credit and High Yield index remained flat at 4.70% and credit spreads hovered around 400 bps.

The Emirate of Abu Dhabi raised USD 7bn in a three-part bond sale. The 5y and 10y tranche accounted for USD 2bn each and was priced at 220 bps and 240 bps respectively over USTs. The 30y tranche (USD 3bn) was priced to yield at 4.1%. The Abu Dhabi 49s is currently yielding 4.4%. The order book was well over USD 25bn.

FX

The Euro slipped on Wednesday after EU finance chiefs failed to agree on a joint economic response for the bloc after 16 hours of talks. Closing on Tuesday at 1.0892, it dropped dramatically but met support at 1.0830 and recovered on improving risk appetite, now trading at the 1.0860 region. Meanwhile Sterling regained some of its losses, breaking the 1.2400 mark after the announcement that Boris Johnson's condition was improving after two nights in the intensive care unit. This comes in spite of the fact that the U.K. recorded a record number of daily deaths. GBP currently trades at 1.2390.

The dollar experienced some choppy movement, but still managed to reclaim some of its losses to trade just above the 100.00 mark whilst the JPY was largely unchanged. The AUD and NZD continued to maintain their positive momentum having now increased by over 3.80% and 2.20% for the week so far. The NOK has benefited from mounting speculation of an OPEC agreement over a supply cut later today, but long weekends in Europe and the US will keep FX markets quiet.

Equities

Developed market equities closed mixed as coronavirus dominated investor sentiment. However a rally in oil prices and the decision of Bernie Sanders to suspend his US Presidential campaign provided impetus to US equities in the second half of the trading session. The S&P 500 index added +3.4% while the Euro Stoxx 600 index closed flat.

Regional equities continue to track moves in global markets. The DFM index lost -1.0% while the Tadawul added +0.2%. The strength in Saudi Arabian equities were mainly on the back of optimism ahead of OPEC+ meeting. Dana Gas lost -1.7% after the company informed that the process to sell its assets in Egypt has been impacted by the viral outbreak. The company added that it is unable to provide a timeline to complete the sale.

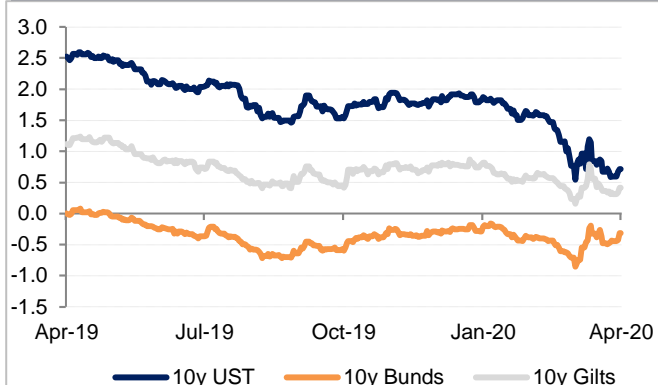
Commodities

The oil market's attention will be fixed on the virtual OPEC+ meeting occurring today and whether the producers' bloc will agree to enormous production cuts in an effort to rebalance and stabilize oil markets. Price action is likely to be volatile and headline driven—Brent futures had more than 7% of travel yesterday from low to high before settling at USD 32.84/b, up 3%. Prices are testing higher today on news that Russia is preparing to cut as much as 1.6m b/d. A deal remains contingent on how Saudi Arabia and Russia interpret US participation. So far the US government has refused to mandate production cuts on its industry, preferring to let it automatically decline as low prices clear the market of marginal suppliers.

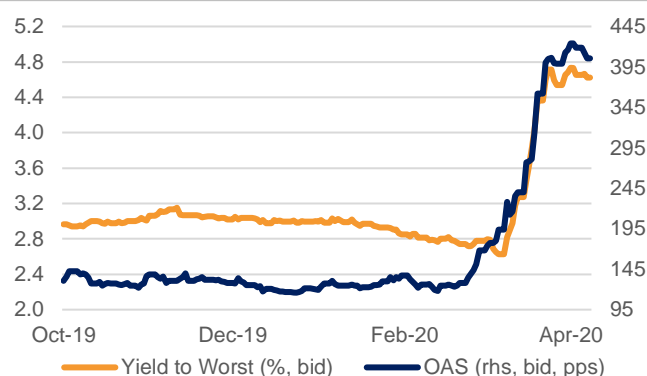
EIA data is starting to reflect the impact of low prices with US production falling by 600k b/d last week to 11.9m b/d, its lowest level since August 2019. As producers cut capex and rig counts a drop in output is inevitable while production is finding a home largely in inventories. Crude stocks jumped by more than 15m bbl last week while lockdowns of major cities means that transport demand has also plummeted, taking gasoline inventories up by 10.5m bbl. Total crude and product stocks rose by almost 33m bbl last week while product supplied (a demand proxy) was down by 3.4m b/d in a single week.

Markets in Charts

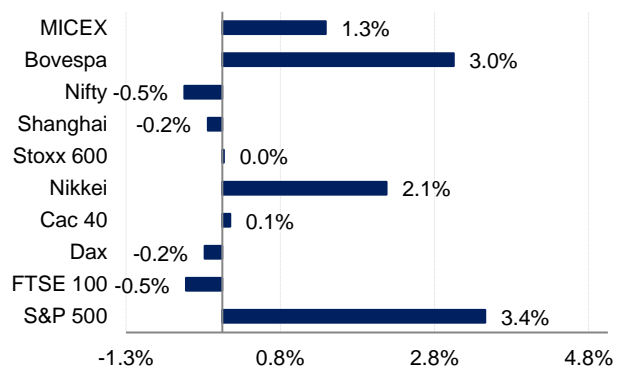
Global Bond Yields



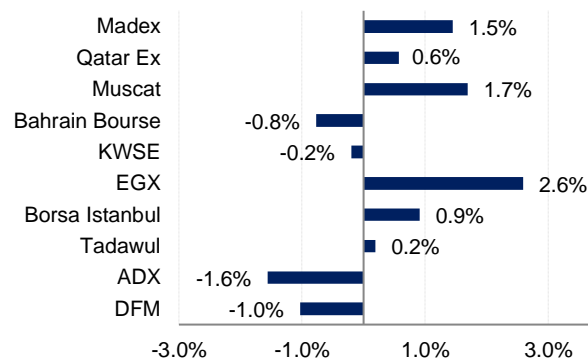
UAE liquid bond index



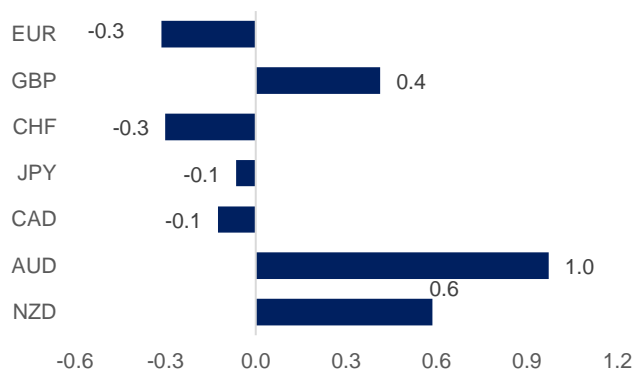
Global Equity Indices



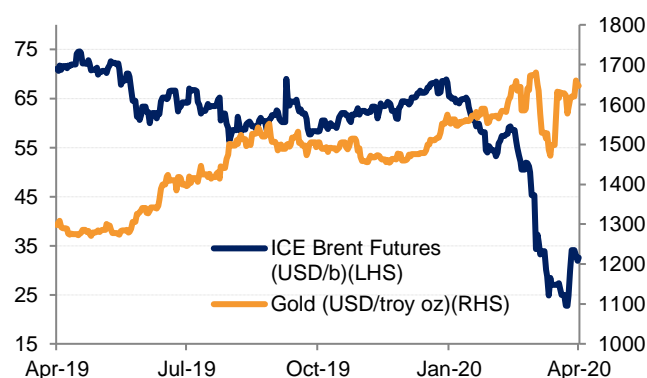
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0858	-0.31	1.0974	USDTRY	6.7740	+0.14	EURAUD	3.9871	-0.33
GBPUSD	1.2383	+0.41	1.2409	USDEGP	15.7491	+0.02	GBPAED	4.5489	+0.37
USDJPY	108.83	+0.06	107.62	USDSAR	3.7622	+0.00	JPYAED	0.0337	-0.06
USDCAD	1.4013	+0.14	1.3973	USDQAR	3.6800	+0.52	CADAED	2.6219	-0.11
AUDUSD	0.6230	+0.97	0.6229	USDKWD	0.3109	-0.17	AUDAED	2.2881	+0.98
USDCHF	0.9718	+0.25	0.9589	USDBHD	0.3786	--	CHFAED	3.7775	-0.30
EURGBP	0.8768	-0.70	0.8843	USDOMR	0.3848	-0.07	TRYAED	0.5400	-0.55
USDAED	3.6730	--	3.6822	USDINR	70.7225	-0.64	INRAED	0.0552	+13.90

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.1884	1.7593	1.7613	1.3831	USD 2 yr	0.511	-1
USD LIBOR	0.8289	1.3114	1.2283	1.0531	USD 5 yr	0.605	+2
GBP LIBOR	0.2216	0.6816	0.7331	0.8430	USD 10 yr	0.825	+6
JPY LIBOR	-0.0967	-0.0157	0.0242	0.1140	EUR 2 yr	-0.246	+1
CHF LIBOR	-0.7362	-0.5912	-0.5224	-0.3968	EUR 5 yr	-0.161	+0
					EUR 10 yr	0.047	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1646.14	-0.10	ADGB 6.75 19	2.42	--	Abu Dhabi	147	+16
Silver	14.96	-0.40	DUGB 7.75 20	3.64	+54	Bahrain	464	--
Oil (WTI)	25.09	+6.18	QATAR 5.25 20	2.70		Dubai	310	+7
Aluminium	1425.85	-0.98	US Tsy 2 yr	0.25	-1	Oman	691	-7
Copper	4978.20	-0.81	US Tsy 10 yr	0.77	+6	Qatar	154	+6
						Saudi Arabia	170	+11

Source: Bloomberg, Emirates NBD Research

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