



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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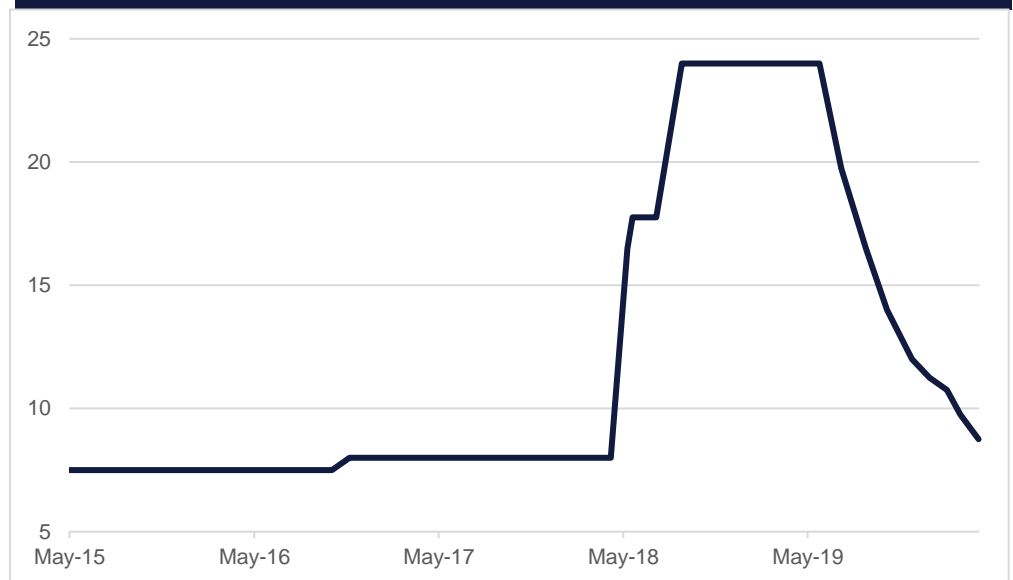
Daily Outlook

In a surprise move, the Turkish central bank cut rates by 100bps yesterday. This takes its benchmark one-week repo rate to 8.75% as the TCMB has seemingly opted to prioritise economic growth in the midst of the coronavirus pandemic to the potential detriment of financial and exchange rate stability. This is a direction which will likely find favour with President Erdogan who has long professed his desire for lower interest rates and could be eager for an economic boost as consumer confidence dipped to its lowest level since records began in 2012 in April, in data also released yesterday. However, in a global risk-off environment, cutting deeper into negative real rates (now -3.15%) risks prompting a run on the lira, which has already been testing the TRY 7.0/USD level crossed briefly during the 2018 EM currency rout.

Leaders of the European Union are meeting later today to discuss a EUR 2tn economic recovery plan. Ahead of the meeting, the European Central Bank also took some additional steps, saying it will accept some junk-rated debt as collateral for its loans to banks. The ECB will accept bonds as long as they had at least the lowest investment grade on 7 April 2020. The measures will apply until September 2021 and appropriate discounts on the funds' banks can access will apply. The move comes two days before Italy's rating review by S&P. Market participants are also reading the move as a first step by the ECB towards buying junk bonds as part of its stimulus program. The central bank in its statement alluded to that possibility by saying it may take 'additional measures to further mitigate the impact of rating downgrades'.

Economic data around the world continue to remain grim. South Korea's Q1 GDP contracted 1.4% in Q1 2020, the biggest since the global financial crisis. PMI readings from Australia and Japan were no different. In flash readings for April, the CBA Australia services index fell to a record low of 19.6 from 38.5 in March and the corresponding manufacturing index dropped to 45.6 versus 49.7 in the previous month. The Jibun Bank Japan manufacturing PMI flash reading for April came in at 43.7 versus 44.8 in March. The corresponding services PMI came in at a record low of 22.8 versus 33.8 in the previous month.

Turkey lowers interest rate by 100 bps (1 week repo rate, %)



Source: Bloomberg, Emriates NBD Research

Today's Economic Data and Events

Event	Time	Value	Event	Time	Value
EZ Markit Composite PMI	12:00	25.0	GE GfK Cons Confidence	10:00	-1.8
US Initial Jobless Claims	16.30	4500k	UK CBI Trends - Order	14:00	-51
US New Home Sales m/m	18:00	-15.8%	US Markit PMI Services	17.45	30.0

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed lower following a rebound in risk assets. The curve bear steepened with yields on the 2y UST and 10y UST ending the day at 0.21% (+1 bp) and 0.62% (+5 bps) respectively.

The three-month USD Libor was fixed at 1.02%. Interestingly, according to Bloomberg, in Eurodollar options demand emerged in small quantities for hedges covering drop in USD Libor to below zero by first quarter of 2021.

Regional bonds saw muted buying interest amid a positive global backdrop. The YTW on Bloomberg Barclays GCC Credit and High Yield index remained flat at 4.39% and credit spreads tightened 3 bps to 379 bps.

According to comments from the Finance Minister, Saudi Arabia may issue more than SAR 220bn of debt this year. He also said that the country's non-oil private sector GDP is expected to shrink for the first time in history and that the government is considering additional spending cuts.

FX

It was another erratic day for the dollar index (DXY), slipping first but meeting support below 99.900 and then proceeding to regain all of its losses and is currently sitting at 100.430, with resistance just below the 100.500 level. The Euro hovered very close to Tuesday's closing price for the majority of the day, but then slipped amid uncertainty surrounding the EU's coronavirus recovery plan ahead of an EU leaders meeting later today, reaching its lowest level in two week at 1.0803. Sterling made some modest gains but declined as the day went on, now around 1.2330. The AUD was bullish for most of the day before reversing its gains on very weak Australian service sector PMI data which fell to record low of 19.6 in April, hurting NZD too in the process which slumped to reach 0.5920. The Canadian dollar rallied alongside the rebound in oil before levelling off just below 1.42.

Equities

Developed market equities rebounded sharply from losses in the previous two trading sessions. While there was no specific catalyst, recovery in oil prices did help to soothe investor sentiment. The S&P 500 index and the Euro Stoxx 600 index added +2.3% and +1.8% respectively.

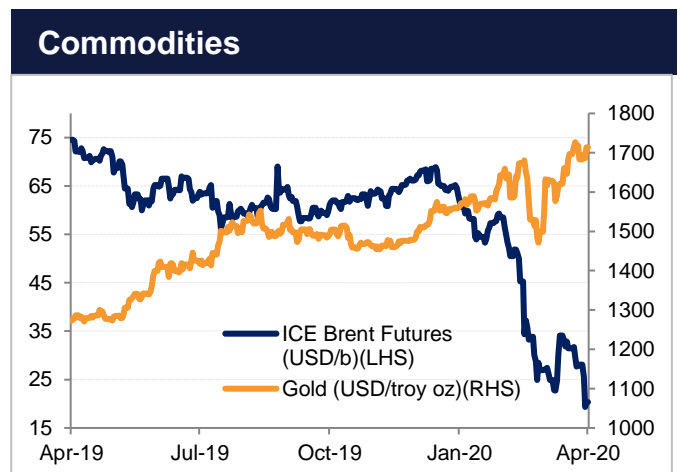
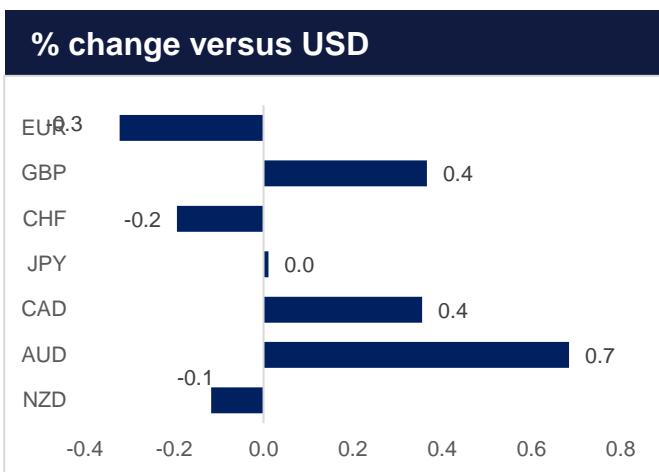
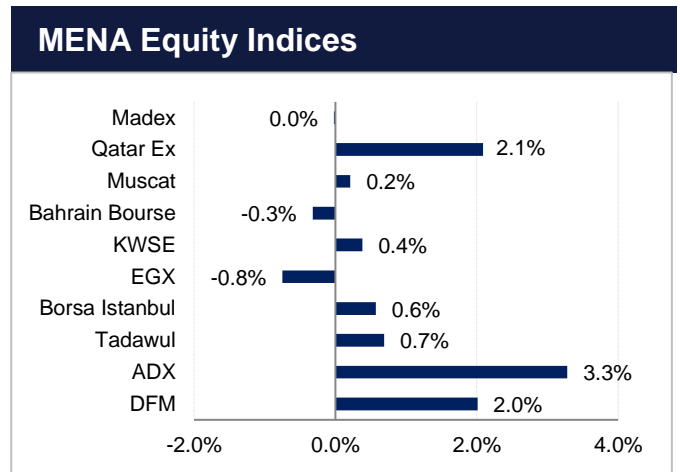
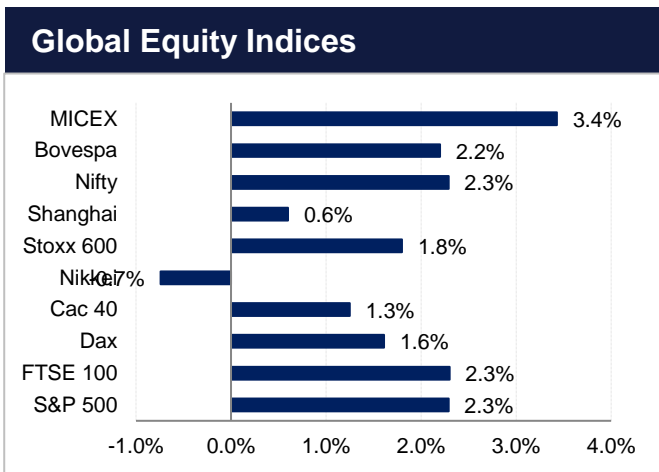
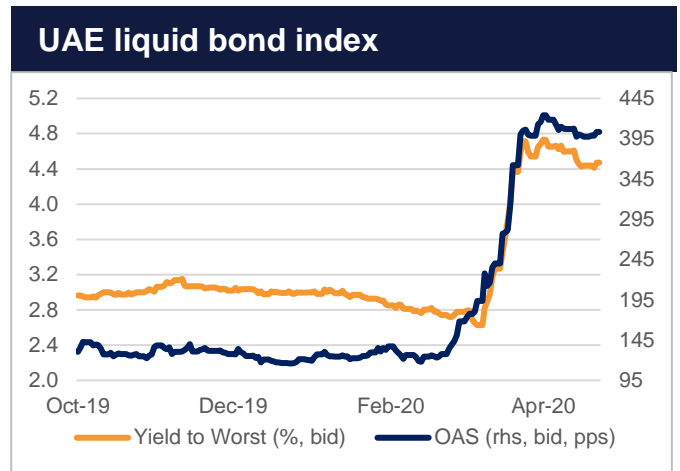
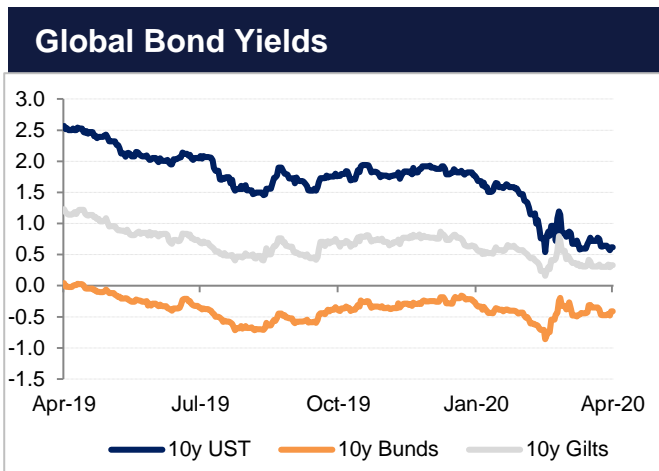
Regional markets were no different either. The DFM index and the Tadawul gained +2.0% and +0.7%. Gains were led by market heavyweights with Emaar Properties and First Abu Dhabi Bank adding +2.5% and +3.8% respectively.

Commodities

Oil prices continued their "recovery" overnight with WTI futures up almost 38% to the lofty heights of USD 13.78/b while Brent moved back above USD 20/b. Both contracts are gingerly testing higher levels this morning. Forward curves remain in extremely wide contangos with 1-2 month WTI at nearly USD 7/b and Brent spreads just below USD 4/b.

US crude stocks rose by 15m bbl last week, including a 4.8m bbl build at the WTI pricing point in Cushing, Oklahoma. Builds across the rest of the barrel helped push overall inventories up by 25m bbl last week. Meanwhile production fell but slowly. Total output in the US fell to 12.2m b/d, a 100k b/d decline w/w. Total US production has fallen by 900k b/d in around a month but markets are still clamoring for more reduction to compensate for the decline in demand. Product supplied stabilized around 14m b/d last week but is still more than 6m b/d lower than year ago levels.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0823	-0.32	1.0920	USDTRY	6.9821	+0.02	EURAED	3.9756	-0.32
GBPUSD	1.2334	+0.37	1.2351	USDEGP	15.7488	+0.02	GBPAED	4.5307	+0.33
USDJPY	107.75	-0.05	106.83	USDSAR	3.7659	+0.12	JPYAED	0.0341	+0.02
USDCAD	1.4161	-0.35	1.4139	USDQAR	3.6800	+0.54	CADAED	2.5937	+0.35
AUDUSD	0.6323	+0.68	0.6323	USDKWD	0.3112	-0.13	AUDAED	2.3224	+0.68
USDCHF	0.9713	+0.15	0.9592	USDBHD	0.3783	+0.12	CHFAED	3.7813	-0.13
EURGBP	0.8775	-0.67	0.8842	USDOMR	0.3848	-0.08	TRYAED	0.5300	+0.73
USDAED	3.6731	+0.00	3.6852	USDINR	70.7225	-0.64	INRAED	0.0552	+15.72

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.8965	1.6045	1.6225	1.5608	USD 2 yr	0.404	-1
USD LIBOR	0.5698	1.0203	0.9906	0.9704	USD 5 yr	0.459	+1
GBP LIBOR	0.2293	0.6438	0.7220	0.8965	USD 10 yr	0.663	+3
JPY LIBOR	-0.0502	0.0045	0.0378	0.1235	EUR 2 yr	-0.190	+4
CHF LIBOR	-0.7176	-0.5852	-0.5334	-0.4362	EUR 5 yr	-0.162	+5
					EUR 10 yr	0.007	+7

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1714.08	+1.65	ADGB 2.50 25	2.15	-7	Abu Dhabi	136	-3
Silver	15.10	+1.41	DUGB 3.89 25	2.74	-2	Bahrain	478	+8
Oil (WTI)	13.78	+37.66	QATAR 3.4 25	2.46	-4	Dubai	295	+7
Aluminium	1476.30	+1.76	US Tsy 2 yr	0.21	+1	Oman	719	+18
Copper	5109.25	+2.17	US Tsy 10 yr	0.62	+5	Qatar	138	-2
						Saudi Arabia	177	-3

Source: Bloomberg, Emirates NBD Research

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