بنك الإمارات دبي الوطني
Emirates NBD

Daily

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Daily Outlook

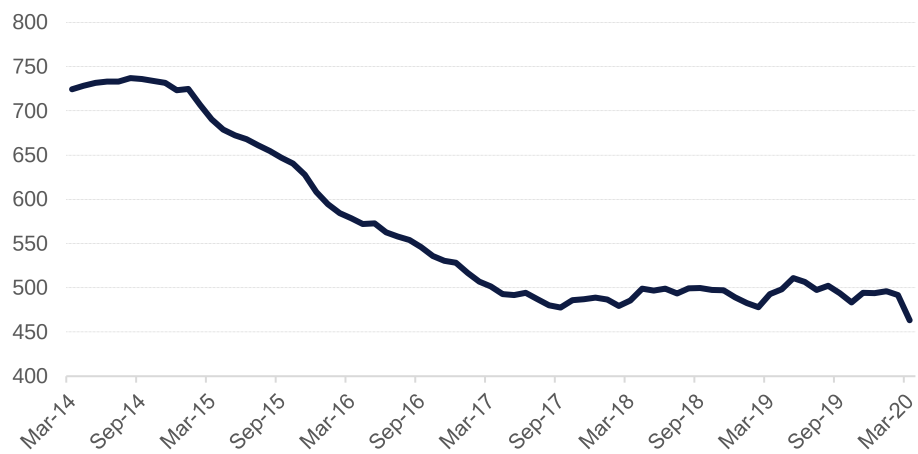
SAMA's net foreign assets fell by USD 26.8bn in March to reach USD 465.1bn, a nine-year low. The drop was mainly in the holdings of foreign securities. On the liabilities side of the central bank's balance sheet, the government's current account balance declined by USD 8.7bn while SAMA bills and repos declined by a similar amount. The sharp decline in oil prices in March would have resulted in the government using its deposits to meet payment obligations, while the decline in SAMA bills and repos reflect liquidity provided to the banking system. Broad money supply grew 2.1% m/m and 9.8% y/y with narrow money up almost 12% y/y in March. Private sector credit growth also accelerated last month to 11.8% y/y.

Dubai could re-open to tourists in July, according to the Helal Al Marri, director-general of the Department of Tourism and Commerce Marketing (DTCM). However, this will depend on the global situation at the start of Q3 and it's possible the opening of borders could be delayed until September.

Germany's IFO economic institute said it expects the German economy to shrink by 6.6% this year due to the coronavirus pandemic and that national output will only return to pre-pandemic levels by the end of 2021. The IFO said the German economy contracted by 1.9% in the first three months of 2020, and that based on companies capacity utilization data will shrink 12.2% in Q2 this year.

US consumer confidence sank close to six-year lows in April as stringent measures to curb the coronavirus outbreak dented economic activity and put millions of Americans out of work. The Conference Board said its consumer confidence index dropped to 86.9 this month from 118.8 in March, marking the lowest point since June 2014. The index showed that present situation measure, which is and assessment of current business and labor market conditions, plunged a record 90 points to end at 76.4 this month. However, the expectations index, which is a reading of consumers' short-term outlook for income, business and labor market conditions, climbed to 93.8 from a reading of 86.8 in March. The latter is probably an indicator of "the possibility that stay-at home restrictions will loosen soon, along with a re-opening of the economy" according to the Conference Board. Of concern to US policymakers will be household finances, where 26.5 million people have applied for unemployment benefits since March 21 and this is likely keep consumer spending restrained.

SAMA Net Foreign Assets (USD bn)



Source: Saudi Arabian Monetary Authority, Emirates NBD Research

Today's Economic Data and Events

US GDP QoQ (Q1)	16:30	-4.0%	US FOMC Statement	22:00	
US Pending Home Sale M/M (Mar)	18:00	-10.0%	US Fed Rate Decision	22:00	0.25%

Source: Bloomberg, Emirates NBD Research

Fixed Income

Treasuries closed higher ahead of the Federal Reserve meeting tomorrow. A decline in stock prices and continued volatility in oil prices drove the move. The curve bull flattened with yields on the 2y UST and 10y UST ending the day at 0.21% (-1 bp) and 0.61% (-5 bps) respectively.

Fitch downgraded Italy's ratings to BBB- with stable outlook. Moody's already had Italy at Baa3 and S&P last week affirmed the rating at BBB. The rating downgrade is expected to have limited impact following ECB's decision last week to accept junk as collateral. Yields on 10y Italian bonds actually dropped -3 bps to 1.72%.

Regional bonds continued to track moves in wider market. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -2 bps to 4.21% and credit spreads widened slightly to 361 bps.

S&P lowered the rating of Al Baraka Banking Group to BB- with stable outlook.

FX

The dollar slipped for a second day as a gradual easing of lockdown restrictions drew closer in Europe, fueling risk appetite. The DXY fell to lows of 99.450 and remains under the 100.00 mark despite a partial reversal that has seen it reach 99.700. The JPY broke the 107 level and is currently trading at 106.55.

The Euro climbed following the dollar's dramatic slump in the afternoon, but quickly reversed all of its gains come the afternoon. The currency has started this morning in bullish form, experiencing modest gains to reach 1.0856. Sterling mirrored this movement on Tuesday and is in a similarly positive mood this morning as well, reaching 1.2465. The AUD and NZD continued their upside momentum increasing over 0.90% and 0.70% respectively on positive economic data from Australia and New Zealand.

Equities

Developed market equities closed mixed as weakness in technology stocks weighed on US stock indices. The focus of investors remain on easing measures announced by various governments around the world. The S&P 500 index lost -0.5% while the Euro Stoxx 600 index added +1.7%.

Regional equities continued their positive momentum. The DFM index and the KWSE PM index added +0.6% and +1.1% respectively. At the moment, investors continue to build positions in market heavyweights. Beyond that, Petrorabigh dropped -2.5% after the company reported a loss in Q1 2020. Emaar Malls gained +3.3% after the company's flagship Dubai Mall opened for business with restrictions.

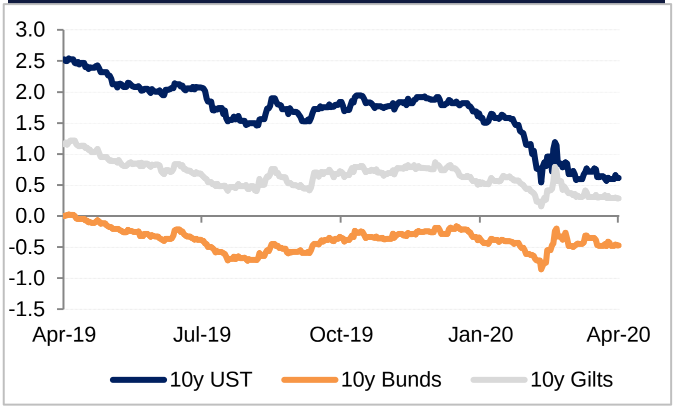
Commodities

After a volatile day of trading oil prices ended the day mixed. Brent gained 2.3% to move back above USD 20/b and is extending that rally in early trading today while WTI settled down by 3.4% at USD 12.34/b, although it had been as low as around USD 10/b in trading.

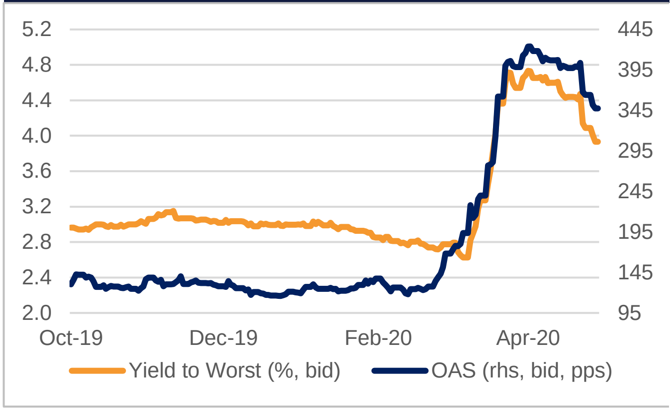
Data from the API showed another week of large inventory builds with more than 10m bbl added to stockpiles last week. EIA will be released later today with the market also closely watching for production and demand figures out of the US.

Markets in Charts

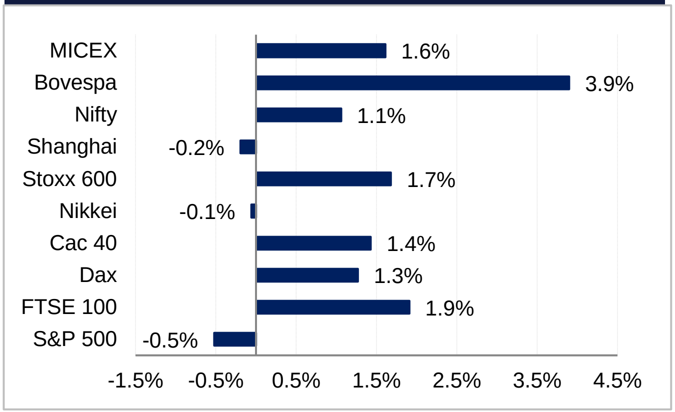
Global Bond Yields



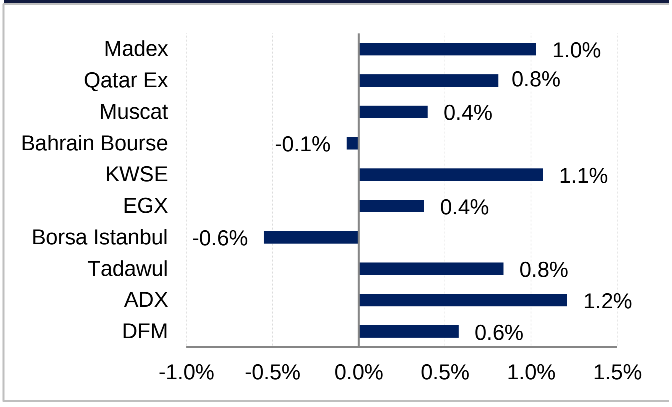
UAE liquid bond index



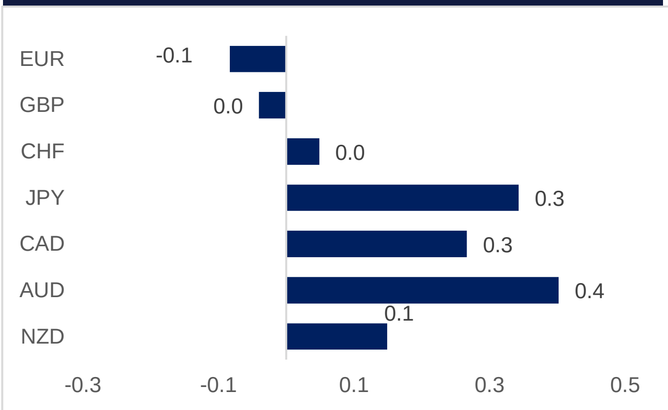
Global Equity Indices



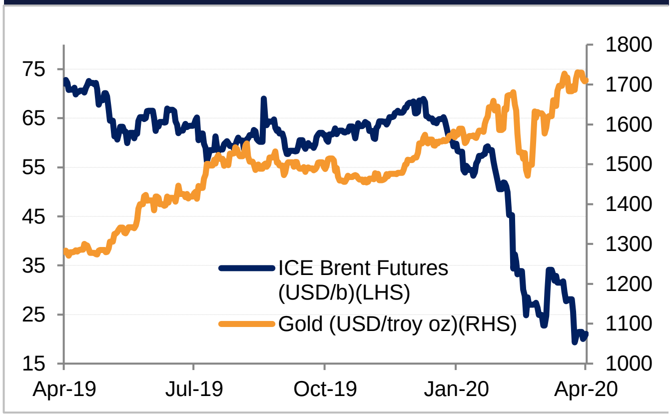
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0820	-0.08	1.0919	USDTRY	6.9868	+0.01	EURAED	3.9740	-0.09
GBPUSD	1.2426	-0.04	1.2443	USDEGP	15.7500	-0.02	GBPAED	4.5637	-0.05
USDJPY	106.87	-0.35	105.96	USDSAR	3.7595	-0.03	JPYAED	0.0344	+0.34
USDCAD	1.3998	-0.26	1.3985	USDQAR	3.6800	+0.54	CADAED	2.6239	+0.26
AUDUSD	0.6491	+0.40	0.6492	USDKWD	0.3097	-0.31	AUDAED	2.3844	+0.43
USDCHF	0.9752	--	0.9631	USDBHD	0.3781	--	CHFAED	3.7674	+0.05
EURGBP	0.8708	-0.05	0.8776	USDOMR	0.3848	-0.08	TRYAED	0.5300	+0.81
USDAED	3.6730	--	3.6840	USDINR	70.7225	-0.64	INRAED	0.0552	+14.46

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7966	1.8863	1.5717	1.7535	USD 2 yr	0.356	-2
USD LIBOR	0.4036	0.7601	0.8619	0.9098	USD 5 yr	0.432	-4
GBP LIBOR	0.2184	0.6313	0.7035	0.8678	USD 10 yr	0.624	-6
JPY LIBOR	-0.0532	-0.0035	0.0160	0.1047	EUR 2 yr	-0.295	-3
CHF LIBOR	-0.7194	-0.5760	-0.5606	-0.4508	EUR 5 yr	-0.254	-3
					EUR 10 yr	-0.072	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1707.79	-0.36	ADGB 2.50 25	2.01	-2	Abu Dhabi	131	--
Silver	15.17	-0.29	DUGB 3.89 25	2.51	-4	Bahrain	487	-2
Oil (WTI)	12.34	-3.44	QATAR 3.4 25	2.28	-0	Dubai	287	-2
Aluminium	1465.25	-0.34	US Tsy 2 yr	0.21	-1	Oman	747	+4
Copper	5195.00	+0.46	US Tsy 10 yr	0.61	-5	Qatar	131	--
						Saudi Arabia	171	--

Source: Bloomberg, Emirates NBD Research

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