



بنك الإمارات دبي الوطني
Emirates NBD

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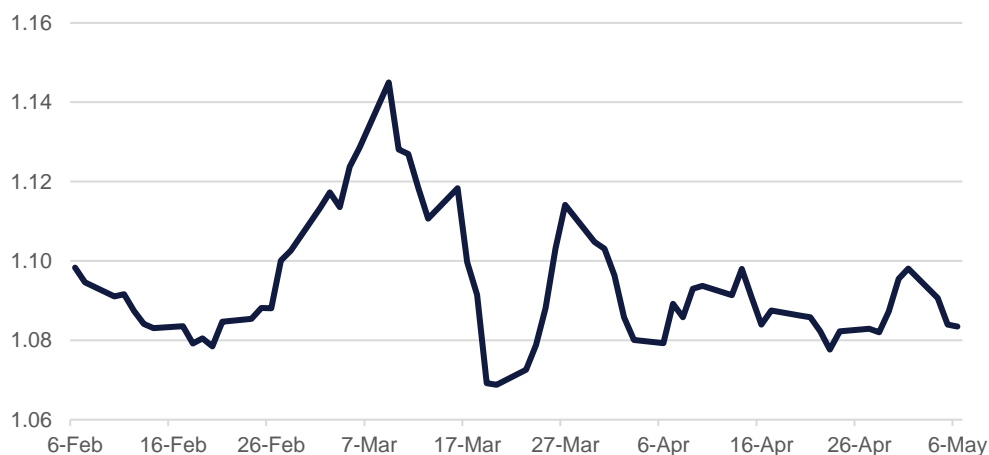
Daily Outlook

Germany's constitutional court surprised markets yesterday by ruling that some of the asset purchases the Bundesbank has been undertaking as part of the ECB's QE programme is unconstitutional, meaning that the Bundesbank could have to stop participating in the ECB's QE in three months' time if it does not provide justification for its policies. At the centre of the case is concern that the ECB should not be financing debt issued by profligate EU countries. The euro weakened as the case adds to growing tensions about EU policies.

Saudi Arabia has relaxed employment regulations to allow private sector companies to reduce wages by as much as 40% for up to 6 months, and also given employers more rights to terminate contracts after the six-month wage reduction. However, only firms which have not benefitted from any government subsidies or aid related to coronavirus can apply the new regulations. The April PMI survey showed that both private sector employment and staff costs in the Kingdom have already started to decline. Separately, the ministry of industry and mineral resources has also announced additional measures to support firms in the sector including reducing fees, discounting utility costs, loan payment deferrals and reduced loan rates.

Egypt's finance minister, Mohamed Maait, has cautioned that the coronavirus pandemic could see Egypt's budget deficit stand at as much as 7.8% of GDP next fiscal year (starting July 1) if the situation is not improved by December. We had previously projected a shortfall equivalent to 7.4% of GDP, while the government held a far more bullish forecast of 6.2%, but in any case what seems certain is that Egypt's finances will be put under enormous strain and we would also expect a larger shortfall as revenues are impeded. Egypt has entered into talks for a new financial deal. In Lebanon meanwhile, where the government is set to begin talks with the IMF over its own bailout programme, the country's banking sector representatives have said that they will put forward their own reform agenda. The banks feel that the government's plan places far too much of the onus on the sector, and that it will cause untold damage to many banks and lead to a drop in confidence in Lebanon as a whole.

EUR tumbles on German court ruling



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

Germany Factory Orders y/y	10.00	-10.2%	Markit India Services PMI	09.00	-
US ADP Employment Change	16.15	-21k	Eurozone Retail Sales m/m	13.00	-10.6%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries traded mixed amid a revival in risk sentiment and focus on corporate issuances. The curve steepened with yields on the 2y UST and 10y UST ending the day at 0.18% (flat) and 0.66% (+3 bps) respectively.

Regional bonds renewed their positive run as oil prices spiked sharply. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -9 bps to 3.85% and credit spreads tightened 11 bps to 321 bps. Qatar National Bank raised USD 1bn in a five year paper which was priced 225 bps over mid swaps.

Moody's affirmed the ratings of all 11 banks it rates in Saudi Arabia. However, it changed the outlook on ratings of 10 banks to negative and the retained the negative outlook on the remaining one bank. The change in outlook follows the decision of the agency to change the outlook on the sovereign rating late last week. In other rating action, S&P downgraded Ezdan Holding to B- and placed in on negative credit watch.

FX

It was a volatile day for currencies yesterday as the gradual opening of economies improved risk appetite. The dollar whipsawed in the afternoon, and currencies against the dollar were all affected but the JPY made modest gains to reach 106.30.

The Euro stumbled after a German court dismissed a European Central Bank quantitative easing program. After starting the day at 1.0907 it has since declined to 1.0840. Sterling also experienced some volatility but is currently trading just below its opening price at 1.2440. Some final PMI data was released for the UK and it was slightly better than previously thought but a deep contraction is still evident. The AUD is performing better than it was towards the end of last week, but continues to hover close to its closing price at 0.6430 whilst the NZD has behaved in a similar manner, trading at 0.6060.

The Turkish lira hit TRY 7.0877/USD at the end of trading yesterday, a new low for the currency which only closed below the TRY 7/USD mark for the first time last week, despite flirting with it during the EM sell-off in 2018, when at one point it hit TRY 7.24/USD. President Erdogan is looking to restart activity in Turkey as the economy comes under pressure and it gets harder for the central bank to protect the lira. By contrast, the Egyptian pound has been remarkably stable despite a loss of tourism, canal and remittances inflows, and portfolio outflows. The currency continues to trade at the EGP 15.74/USD level at which it has held since mid-March. This has come at a cost to reserves, however, which fell by some USD 5.4bn in March.

Equities

Developed markets traded higher as more countries eased lockdown and as oil prices rallied sharply. The S&P 500 index and the Euro Stoxx 600 index added +0.9% and +2.2% respectively.

Regional equities recovered some of their early week losses. The Tadawul and the ADX index added +1.7% and +1.6% respectively. Market heavyweights led the rally with Saudi Aramco adding +2.6% and Al Rajhi Bank gaining +2.3%.

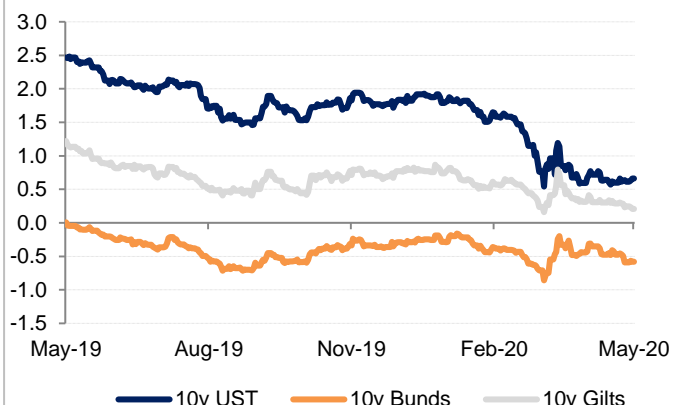
Commodities

Oil prices extended their rally overnight with Brent futures rising by nearly 14% and closing back above USD 30/b for the first time since mid-April. WTI was up more than 20% in the session and is threatening to above USD 25/b.

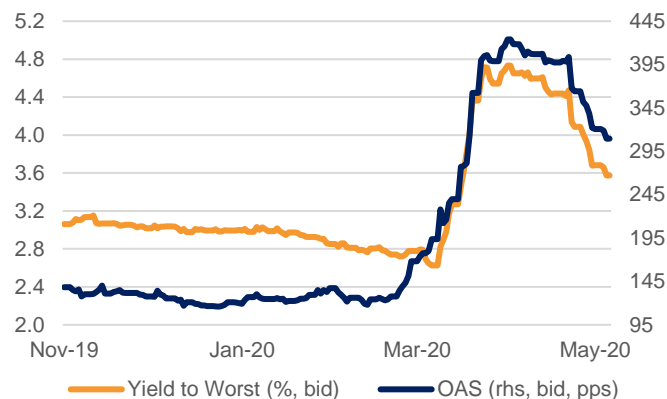
US inventory data from the API showed a build in crude stocks of 8.4m bbl, with official data from the EIA out later this evening. While it is a moderation in the pace of inventory builds, adding 8m bbl in a single week when demand remains depressed is still a particularly negative signal.

Markets in Charts

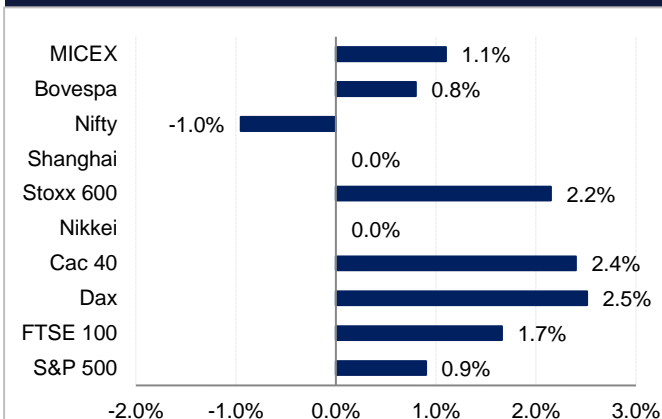
Global Bond Yields



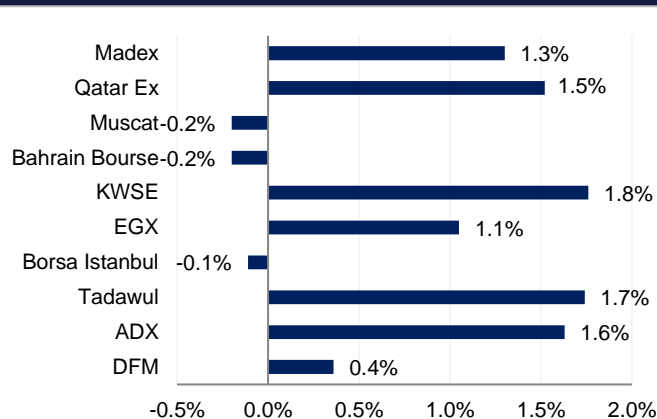
UAE liquid bond index



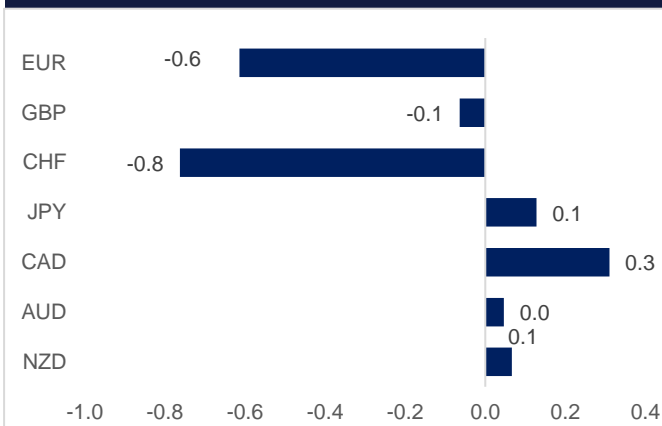
Global Equity Indices



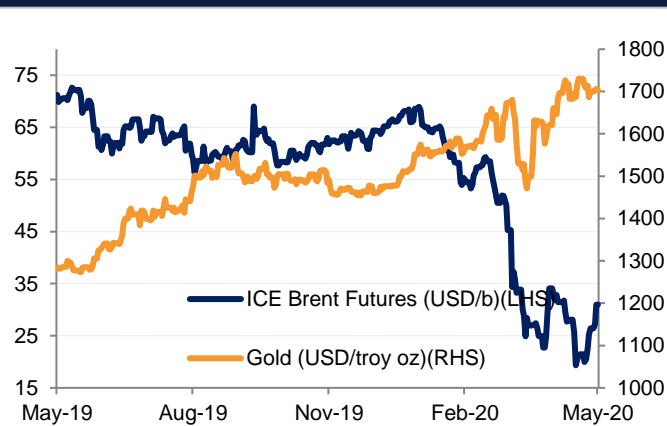
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0840	-0.61	1.0934	USDTRY	7.0739	+0.41	EURAUD	3.9821	-0.60
GBPUSD	1.2435	-0.06	1.2452	USDEGP	15.7918	+0.04	GBPAED	4.5671	-0.07
USDJPY	106.57	-0.16	105.74	USDSAR	3.7558	-0.08	JPYAED	0.0345	+0.16
USDCAD	1.4049	-0.27	1.4044	USDQAR	3.6800	+0.51	CADAED	2.6150	+0.30
AUDUSD	0.6431	+0.05	0.6430	USDKWD	0.3093	-0.01	AUDAED	2.3629	+0.10
USDCHF	0.9727	+0.80	0.9612	USDBHD	0.3781	--	CHFAED	3.7773	-0.73
EURGBP	0.8716	-0.55	0.8779	USDOMR	0.3848	-0.07	TRYAED	0.5200	-0.26
USDAED	3.6730	--	3.6830	USDINR	75.6338	-0.11	INRAED	0.0552	+13.74

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7763	1.0300	1.3425	1.5699	USD 2 yr	0.313	-0
USD LIBOR	0.2473	0.4740	0.7001	0.8313	USD 5 yr	0.419	+1
GBP LIBOR	0.1731	0.4495	0.6209	0.7544	USD 10 yr	0.657	+3
JPY LIBOR	-0.0573	-0.0210	0.0155	0.1207	EUR 2 yr	-0.338	-1
CHF LIBOR	-0.7202	-0.5874	-0.5426	-0.4664	EUR 5 yr	-0.329	-1
					EUR 10 yr	-0.153	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1705.92	+0.23	ADGB 2.50 25	1.80	-9	Abu Dhabi	120	-6
Silver	14.96	+1.26	DUGB 3.89 25	2.23	-3	Bahrain	487	+3
Oil (WTI)	24.56	+20.45	QATAR 3.4 25	1.96	-7	Dubai	293	+1
Aluminium	1444.25	+0.10	US Tsy 2 yr	0.19	+1	Oman	763	+4
Copper	5127.50	+0.65	US Tsy 10 yr	0.66	+3	Qatar	120	-7
						Saudi Arabia	166	-8

Source: Bloomberg, Emirates NBD Research

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