



بنك الإمارات دبي الوطني  
Emirates NBD

Daily

14 May 2020

www.emiratesnbdresearch.com

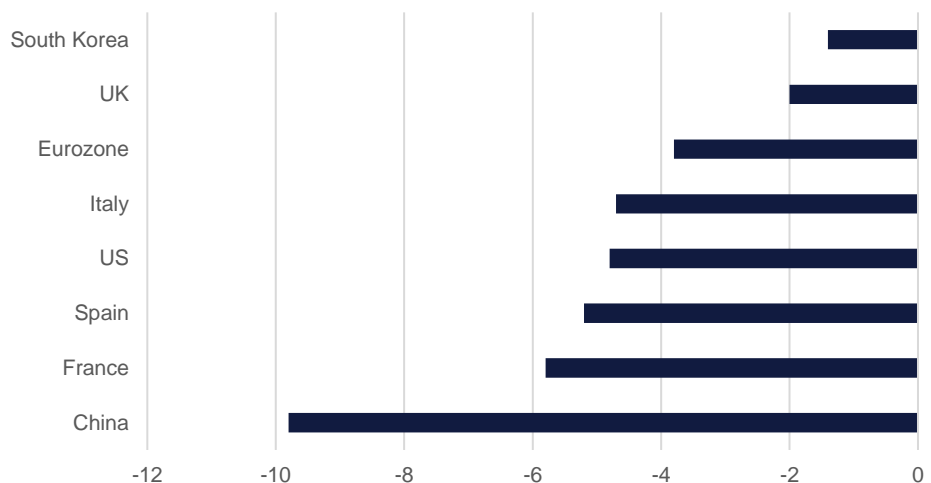
# Daily Outlook

UK GDP contracted by -2% q/q in the first quarter (beating expectations of -2.6%), but this will likely deteriorate further in Q2 as the coronavirus pandemic-related shutdown only began in earnest towards the end of the period. March saw a 5.8% decline as the restrictions took hold late that month, boding ill for Q2 given that there has been only a very partial easing of the lockdown as of mid-May. While the UK's first-quarter contraction was less severe than those seen in other major economies, they were largely affected by the pandemic earlier than the UK. Germany is set to release its Q1 growth figures tomorrow.

Fed Chair Jerome Powell reiterated his opposition to negative rates when speaking yesterday, culminating a week in which other Fed officials have also dismissed the strategy as inappropriate for the US at this juncture. There has been mounting speculation about the prospect of negative rates in the US as the market implied probability rate has dipped below zero for the first time, just, and there has been ongoing pressure from the White House via President Trump's Twitter account. However, Powell confirmed that 'the committee's view on negative rates really has not changed. This is not something that we are looking at.' The other key takeaway from the session was Powell's call for additional fiscal support during the coronavirus pandemic crisis, saying it 'could be costly, but worth it.' However, the USD 3tn relief bill currently in Congress has been labelled 'dead on arrival' by President Trump, and is unlikely to make any headway in the Republican-controlled Senate.

Consumer prices in the UAE declined -0.9% m/m and -1.6% y/y in March, despite a 2.9% m/m (4.0% y/y) rise in food prices. This was offset by a broad decline in most other components of the CPI including a -19% m/m (-9.9% y/y) drop in recreation & culture. Housing & utilities costs fell -4.1% y/y while transport costs declined -3.1% m/m and -1.5% y/y with the latter largely due to the collapse in oil prices. Coronavirus has proved to be deflationary around the world, as demand for non-essential goods and services ground to a halt in March and April. Separately, the ruler of Dubai tweeted that some ministries may be merged and revamped to improve government's agility and flexibility in a post-coronavirus world. Meanwhile, Oman has announced a further 5% cut to ministries' budgets this year in response to much lower than expected oil prices further to a 10% cut in April. It also announced forced retirement for government employees who have served more than 30 years, and halved the salaries of board members in government organisations. If the additional spending cuts are fully implemented, total expenditure could be contained to OMR 11.5bn this year, yielding a budget deficit of -OMR 3.7bn or almost -15% GDP.

## Q1 GDP growth, q/q



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

Event	Time	Impact	Rate	Value
US initial jobless claims	16:30	2.5mn	Egypt overnight deposit rate	9.25%
			Na	

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Treasuries closed marginally higher as rising US-China tension fueled risk-aversion in broader markets. Further, comments from the Fed Chair Jerome Powell had a mixed impact as he ruled out negative rates even as he acknowledged risk of medium term damage to the economy and the need to do more. The curve flattened with yields on the 2y UST and 10y UST closing at 0.16% (flat) and 0.65% (-1 bp).

Regional bonds shrugged off broader risk-off tone and extended their positive run. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped to 3.71% (-1 bp) while credit spreads widened marginally to 310 bps.

## FX

It's been a volatile week for the dollar, yesterday again reversing a lot of its earlier moves to trade just around Monday's closing price at 100.245 on a DXY index basis. The DXY index, a measure for the dollar against a narrow basket of other major currencies, experienced an upturn after comments from Fed Chairman Jerome Powell. Powell dismissed the idea of negative rates, with some investors speculating that further quantitative easing could be ahead. USD JPY was largely unchanged, dipping by only -0.20% to 106.90, but other currencies were more affected.

The Euro retreated from highs of 1.0896 in the afternoon, falling to 1.0813. Sterling experienced similar movement to this, culminating in the currency dropping to 1.2210, its lowest point in five weeks. There was a slight glimmer of hope to come out of the U.K. however, as its GDP dropped by a less than expected 2.0%, against predictions of 2.6% during the Q120, but no doubt the Q2 reading will be much worse. The currency currently trades at 1.2215

The AUD also dropped against the strengthening dollar by over -0.50% to 0.6440. Meanwhile the NZD dropped dramatically after the nation's reserve bank stated that negative cash rates "will become an option in the future". The currency decreased over 1.40% to fall below 0.6000 at 0.5990.

## Equities

Developed market equities closed lower as the Fed Chairman Powell reiterated his somber assessment of the US economy over the near and medium term. The S&P 500 index and the Euro Stoxx 600 index dropped -1.8% and -1.9% respectively.

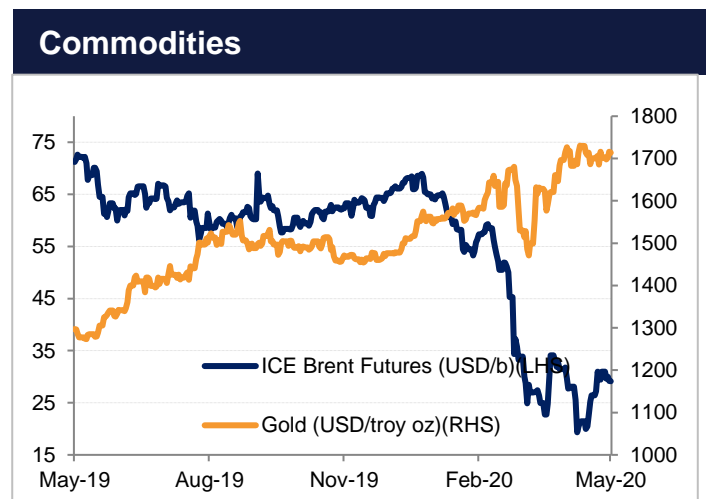
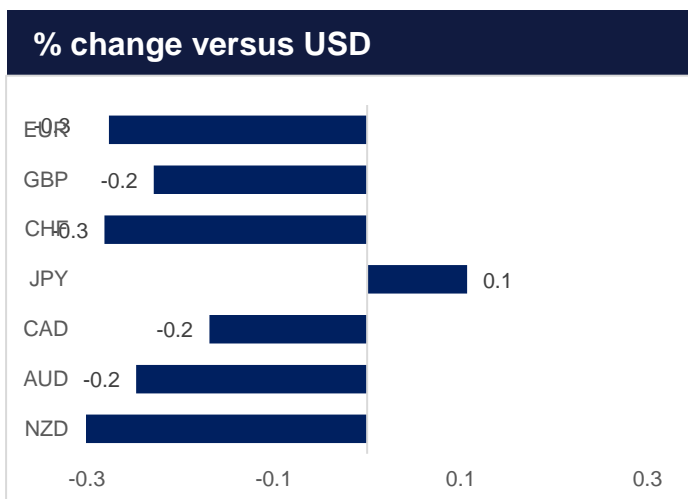
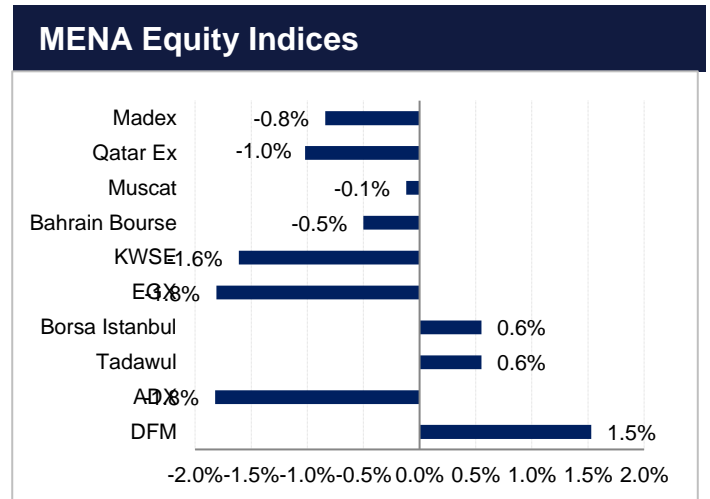
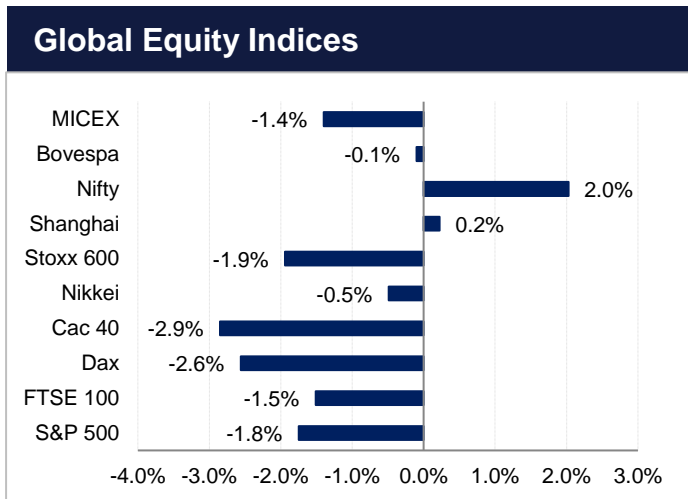
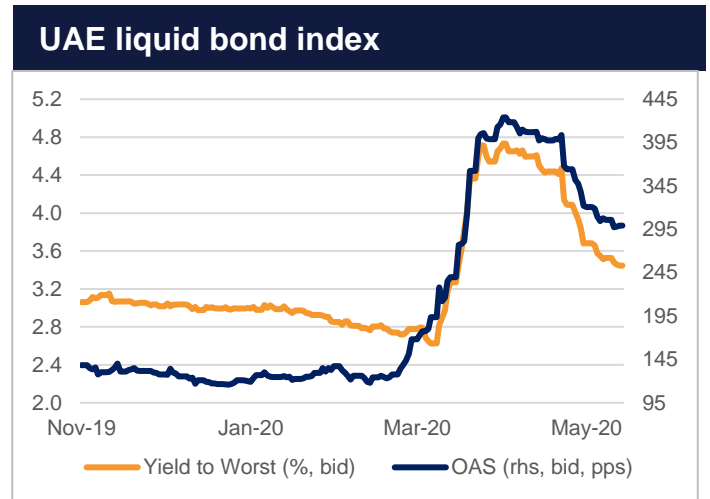
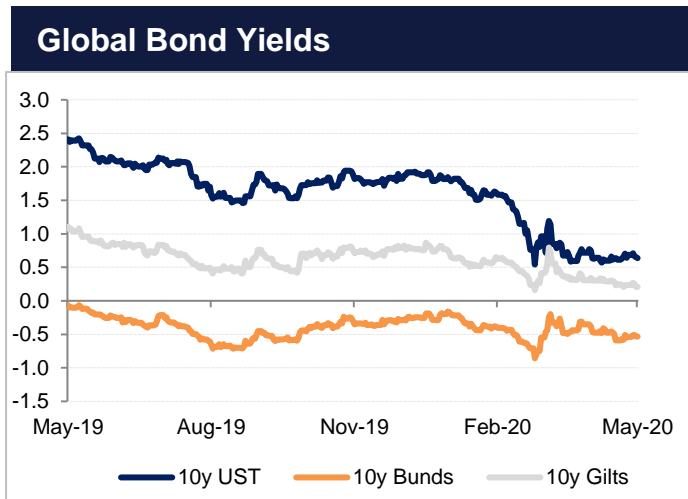
Regional equities closed mixed with the DFM index adding +1.5% and the Qatar Exchange losing -1.0%. Investor sentiment in the UAE received a boost as the government eased restrictions further and allowed several activities to resume. First Abu Dhabi was a notable underperformer with losses of -3.8% after the bank disclosed an exposure of USD 73.2mn to Phoenix Commodities and related entities. The Tadawul (+0.6%) was dragged higher by Al Rajhi Bank (+1.1%). The bank reported Q1 2020 net profit of SAR 2.38bn, lower than Q1 2019 profit of SAR 2.57bn.

## Commodities

Oil markets weakened in line with other risk assets as Fed chair Jerome Powell gave a sobering assessment for the US economy. Brent futures fell by 2.6% to settle at USD 29.19/b while WTI was off by a little less than 2% at USD 25.29/b. Prices fell even though crude inventories actually declined last week, the first weekly decline since January. Production in the US fell by another 300k b/d last week while product supplied managed to tick higher.

OPEC revised its demand expectations for 2020, now anticipating a drop of around 9m b/d this year compared with 6.9m b/d previously. The new level brings it closer in line with assessments from the IEA. OPEC also brought down the call on its own crude to 24.26m b/d.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0818	-0.28	1.0909	USDTRY	6.9743	-0.33	EURAED	3.9737	-0.27
GBPUSD	1.2232	-0.23	1.2250	USDEGP	15.7526	-0.08	GBPAED	4.4947	-0.18
USDJPY	107.03	-0.10	106.21	USDSAR	3.7573	+0.01	JPYAED	0.0343	+0.11
USDCAD	1.4101	+0.16	1.4094	USDQAR	3.6800	+1.06	CADAED	2.6047	-0.17
AUDUSD	0.6455	-0.25	0.6453	USDKWD	0.3089	+0.03	AUDAED	2.3708	-0.25
USDCHF	0.9721	+0.27	0.9608	USDBHD	0.3777	-0.01	CHFAED	3.7779	-0.29
EURGBP	0.8844	-0.05	0.8905	USDOMR	0.3850	--	TRYAED	0.5300	+0.97
USDAED	3.6730	--	3.6825	USDINR	70.7225	-0.64	INRAED	0.0552	+13.34

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4825	0.9325	1.2469	1.5128	USD 2 yr	0.262	+0
USD LIBOR	0.1839	0.4240	0.6586	0.7688	USD 5 yr	0.341	-1
GBP LIBOR	0.1391	0.3433	0.5304	0.7148	USD 10 yr	0.616	-1
JPY LIBOR	-0.0612	-0.0277	0.0067	0.1208	EUR 2 yr	-0.301	-1
CHF LIBOR	-0.7268	-0.6074	-0.5596	-0.4538	EUR 5 yr	-0.304	-0
					EUR 10 yr	-0.152	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1716.28	+0.80	ADGB 2.50 25	1.79	+5	Abu Dhabi	107	--
Silver	15.58	+0.86	DUGB 3.89 25	2.20	+6	Bahrain	452	-17
Oil (WTI)	25.29	-1.90	QATAR 3.4 25	2.06	+8	Dubai	257	-3
Aluminium	1444.50	+0.30	US Tsy 2 yr	0.16	--	Oman	703	-12
Copper	5190.90	-0.70	US Tsy 10 yr	0.65	-1	Qatar	107	--
						Saudi Arabia	152	-3

Source: Bloomberg, Emirates NBD Research

## Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

---

## Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12th Floor  
Baniyas Road, Deira  
P.O.Box 777  
Dubai

**Aazar Ali Khwaja**  
Senior Executive Vice President  
Global Markets & Treasury  
+971 4 609 3000  
aazark@emiratesnbd.com

**Tim Fox**  
Head of Research &  
Chief Economist  
+9714 230 7800  
timothyf@emiratesnbd.com

---

### Research

**Khatija Haque**  
Head of MENA Research  
+9714 230 7803  
khatijah@emiratesnbd.com

**Edward Bell**  
Senior Director, Market Economics  
+9714 230 7701  
edwardpb@emiratesnbd.com

**Aditya Pugalia**  
Financial Markets Research  
+9714 230 7802  
adityap@emiratesnbd.com

**Daniel Richards**  
MENA Economist  
+9714 609 3032  
danielricha@emiratesnbd.com

**Mohammed Altajir**  
FX Analytics and Product Development  
+9714 609 3005  
mohammedtaj@emiratesnbd.com

**Shady Shaher Elborno**  
Head of Macro Strategy  
+9714 609 3015  
shadyb@emiratesnbd.com

**Jamal Mattar**  
Research Associate  
+9714 444 3607  
jamaly@emiratesnbd.com

---

### Sales & Structuring

**Group Head – Treasury Sales**  
Tariq Chaudhary  
+971 4 230 7777  
tariqmc@emiratesnbd.com

**Saudi Arabia Sales**  
Numair Attiyah  
+966 11 282 5656  
numaira@emiratesnbd.com

**Singapore Sales**  
Supriyakumar Sakhalkar  
+65 65785 627  
supriyakumars@emiratesnbd.com

**London Sales**  
+44 (0) 20 7838 2241

**Egypt**  
+20 22 726 5040

---

### Emirates NBD Capital

**Hitesh Asarpota**  
Head of Debt Capital Markets.  
+971 50 4529515  
asarpotah@emiratesnbd.com

---

### Investor Relations

**Patrick Clerkin**  
+9714 230 7805  
patricke@emiratesnbd.com

### Group Corporate Affairs

**Ibrahim Sowaidan**  
+9714 609 4113  
ibrahims@emiratesnbd.com

**Claire Andrea**  
+9714 609 4143  
clairea@emiratesnbd.com