



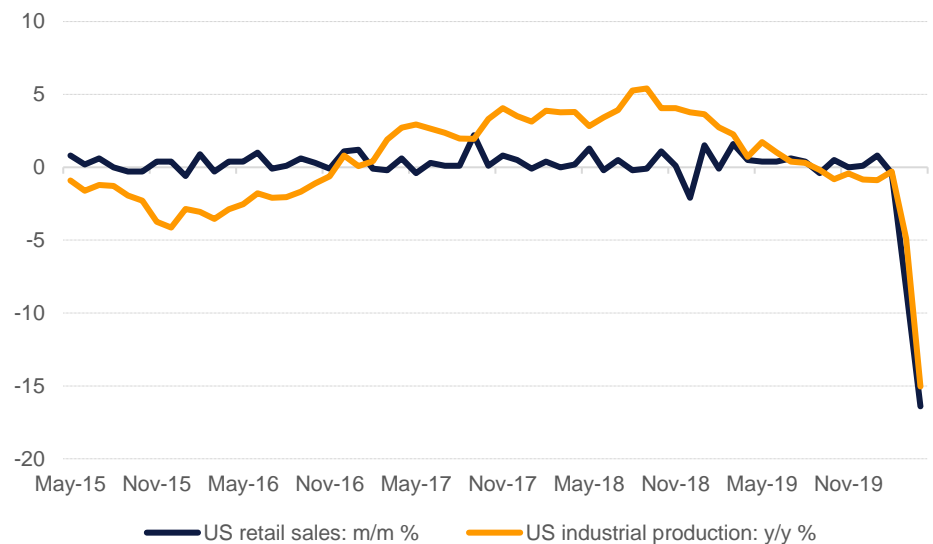
Daily Outlook

Economic data out of the US continue to highlight the ravages of coronavirus-related lockdowns. Retail sales for April fell by 16.4%, outpacing the prior month's already precipitous drop of 8.3%. Consumption in all categories declined bar online sales as consumers bought online as lockdowns impeded normal economic activity. Industrial production declined in April by 11.2% m/m, its worst print in the more than 100-years of data collection. Factory output along with mining and utilities production all sank as workers stayed home and demand dried up. Data is likely to start improving over the coming weeks as lockdowns have been lifted in many states, even at risk of a resurgence of coronavirus cases. Interestingly, consumer confidence actually improved for May according to a survey from the University of Michigan. A general uptrend in US equity markets may be leading consumers to think the worst is over. However, any further stimulus measures from the government remain frustrated by partisan fighting. A USD 3trn Democrat-sponsored support plan passed the House at the end of last week but has already been widely rejected by Republicans, who control the Senate, and President Trump.

The US doesn't have a monopoly on the dismal data, however, as Germany's economy recorded a 2.2% decline q/q for the first three months of the year. It was the worst GDP performance for the Eurozone's biggest economy since the Global Financial Crisis. Germany has been a relative 'outperformer' amongst major European economies, showing the least bad growth as the government took a more muted approach to lockdowns and has begun to ease restrictions.

China continues to show signs of a recovery from lockdowns as industrial production actually rose in April by 3.9% y/y compared with a decline of 1.1% y/y in March. Fixed asset investment continued to decline—by 10.3% for the first four months of the year—albeit at a less rapid pace than data showed in March. Retail sales also improved—declining by 7.5% for April compared with almost a 16% drop in March.

US retail sales and industrial production race to the bottom



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

Event	Time	Change	Impact	Market
JP GDP Q/Q	03:50	-1.1%		

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher following heightened tensions between the US and China and a somber assessment of the US economy by the Fed Chairman Jerome Powell. The Fed Chair also reiterated his views on negative rates as an option not considered by the Federal Reserve at the moment. The curve flattened with yields on the 2y UST and 10y UST ending the week at 0.14% (-1 bp w-o-w) and 0.64% (-4 bps w-o-w) respectively.

Regional bonds continued their positive run even as the pace slowed. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -9 bps w-o-w to 3.71% and credit spreads tightened 6 bps 2-o-2 to 311 bps.

FX

Last week saw the dollar experience some choppy movement, particularly during its first half, but eventually consolidated above the crucial 100.00 mark on its DXY measure to end at 100.361. The DXY index, a measure for the dollar against a narrow basket of other major currencies, met resistance at 100.556 the highest point recorded in May so far, but still cemented its bullish form. The strengthening dollar caused the JPY to record losses of over -0.70% to finish the week at 107.06.

The Euro briefly made gains against the dollar to reach 1.0896 on Wednesday but met resistance at this level following Fed Chairman Jerome Powell's statement on the U.S. economy. The currency ended the week bearish at 1.0820, a loss of -0.17%. Meanwhile Sterling has been under heavy bearish pressure for the entire week, dropping over 2.40% to reach its lowest point since late March at 1.2104 after both the EU and the UK reported a deadlock in Brexit talks.

Both the AUD and NZD were under similarly negative pressure following risk aversion on the back of growing tensions between the US and China. The currencies declined by over -1.80% and -3.30% respectively.

Equities

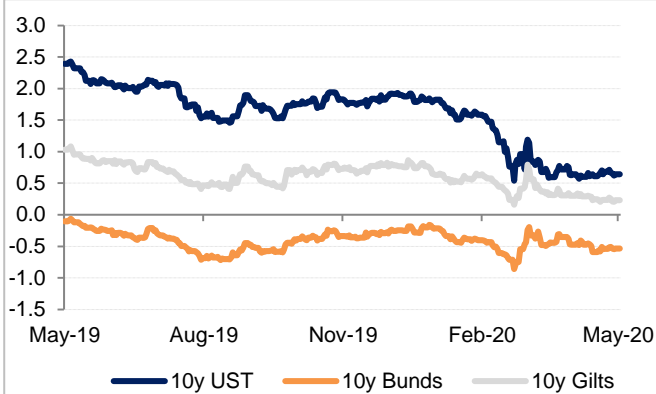
Regional equities started the week on a mixed note. The DFM index and the Tadawul outperformed their regional peers with gains of +0.9% and +1.6% respectively. The continued strength in oil prices drove petrochemical stocks higher with Saudi Aramco gaining +1.8%. Banking sector stocks also rose on the back of positive corporate earnings from National Commercial Bank (+2.8%) and Riyadh Bank (+2.9%).

Commodities

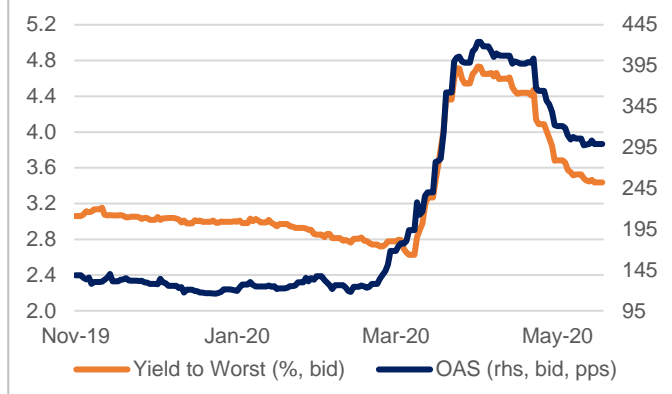
Oil prices extended their recovery for a third week running as sentiment toward demand improves as more countries ease their lockdown conditions and allow for economic life to return to something approximating pre-coronavirus conditions. Brent futures gained nearly 5% over the course of the week to settle at USD 32.50/b while WTI closed the five days at USD 29.43/b, up nearly 19%. For the month of May alone the improvement in oil futures has been dramatic: Brent has gained nearly 30% while WTI is up by around 56%. June WTI futures expire this week but the relative improvement in sentiment toward crude and easing concerns over whether storage was reaching tank tops should prevent a repeat of last month's hysteria when expiring futures moved into negative prices for the first time ever.

Markets in Charts

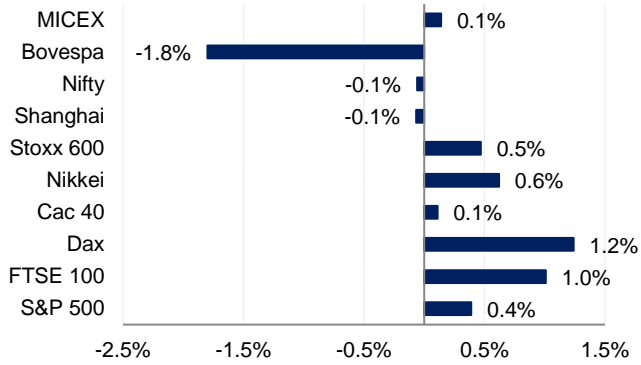
Global Bond Yields



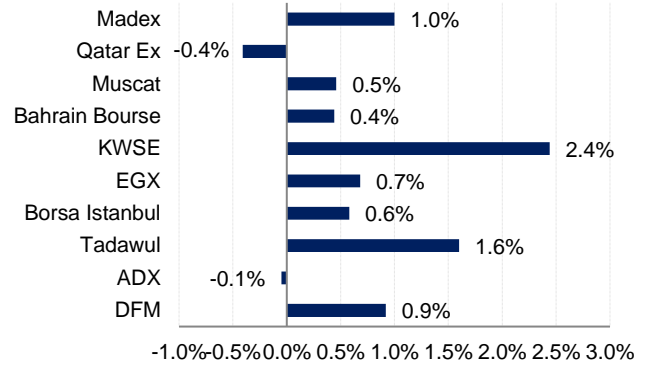
UAE liquid bond index



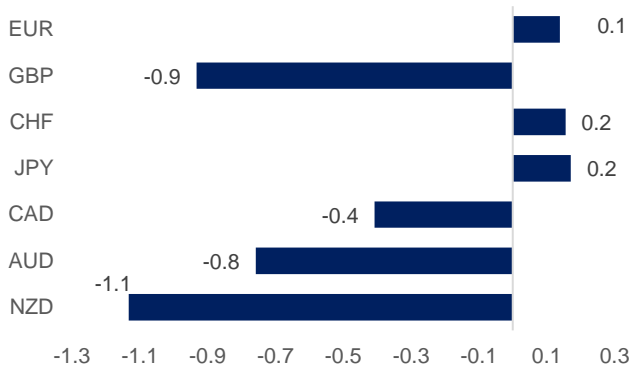
Global Equity Indices



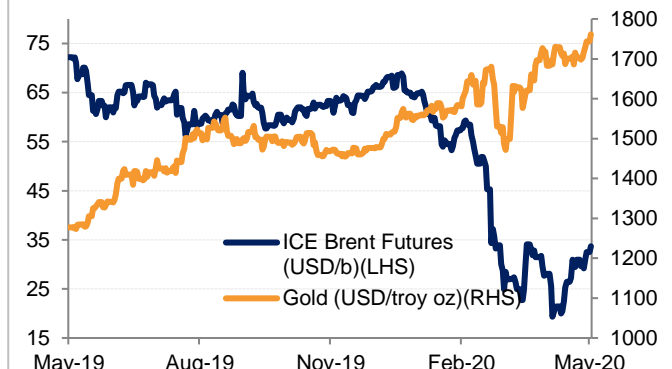
MENA Equity Indices



% 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	+0.14	1.0911	USDTRY	6.9013	-0.30	EURAED	3.9743	+0.14
GBPUSD	1.2116	-0.93	1.2132	USDEGP	15.7349	-0.03	GBPAED	4.4455	-1.05
USDJPY	107.06	-0.18	106.28	USDSAR	3.7578	+0.01	JPYAED	0.0343	+0.18
USDCAD	1.4109	+0.42	1.4102	USDQAR	3.6800	+0.41	CADAED	2.6034	-0.40
AUDUSD	0.6413	-0.76	0.6411	USDKWD	0.3093	-0.01	AUDAED	2.3558	-0.74
USDCHF	0.9715	-0.16	0.9602	USDBHD	0.3775	+0.01	CHFAED	3.7808	+0.16
EURGBP	0.8935	+1.14	0.8998	USDOMR	0.3850	+0.01	TRYAED	0.5300	-0.12
USDAED	3.6730	--	3.6825	USDINR	75.5750	+0.01	INRAED	0.0552	+13.32

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4795	0.8800	1.1746	1.4880	USD 2 yr	0.248	-0
USD LIBOR	0.1724	0.3805	0.6590	0.7554	USD 5 yr	0.347	+1
GBP LIBOR	0.1401	0.2923	0.5155	0.6820	USD 10 yr	0.626	+3
JPY LIBOR	-0.0590	-0.0268	0.0183	0.1238	EUR 2 yr	-0.288	+1
CHF LIBOR	-0.7370	-0.6268	-0.5754	-0.4514	EUR 5 yr	-0.293	+2
					EUR 10 yr	-0.156	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1743.67	+0.77	ADGB 2.50 25	1.76	-4	Abu Dhabi	107	-4
Silver	16.61	+4.65	DUGB 3.89 25	2.18	-2	Bahrain	460	+9
Oil (WTI)	29.43	+6.79	QATAR 3.4 25	2.04	-4	Dubai	266	--
Aluminium	1428.90	-0.80	US Tsy 2 yr	0.15	-0	Oman	696	-2
Copper	5156.00	-0.34	US Tsy 10 yr	0.64	+2	Qatar	108	-5
						Saudi Arabia	155	-7

Source: Bloomberg, Emirates NBD Research

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