



بنك الإمارات دبي الوطني
Emirates NBD

Daily
21 May 2020

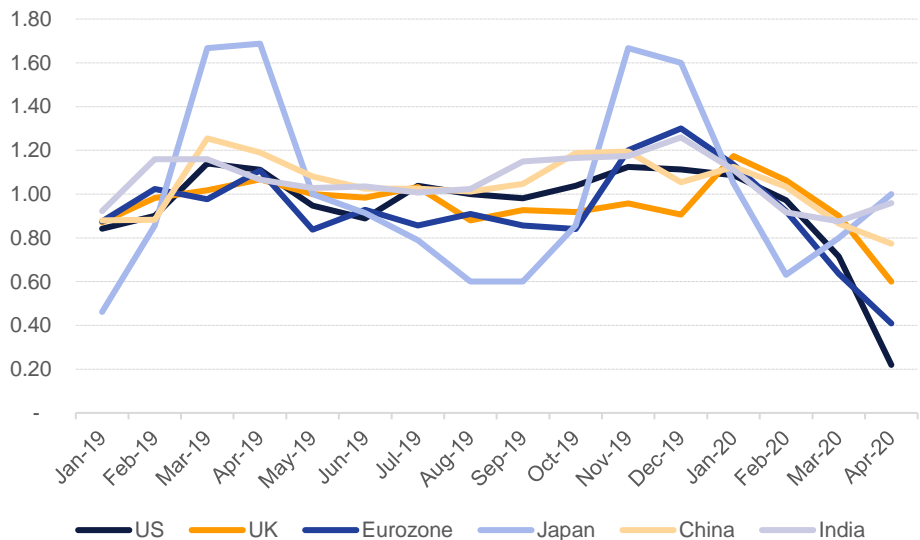
Daily Outlook

Inflation in the UK sank in April as the drop in energy prices helped push headline CPI down to 0.8% from 1.5% a month earlier. Core inflation also slipped, declining to 1.4% in April from 1.6% a month earlier. Following on from statements from the Bank of England's chief economist in the last week that negative rates weren't off the table, the soft inflation data will likely push the market to price in more BoE easing in the short-term. The UK is the latest major economy to report disinflationary—or outright deflationary—effects from the coronavirus as demand collapses as consumers stay home and investment has come to a halt. Relative to other major economies the UK's latest inflation read shows less of a decelerating trend—compared with the US where CPI fell to 0.3% m/m in April. However, the coronavirus pandemic has catalyzed a build-up of unused capital—whether human or industrial goods—that will weigh on the inflation outlook globally for some time.

Saudi Arabia also reported inflation data with CPI falling month on month to just 1.3% on an annual basis. Greater than 1% inflation is a vast improvement on the persistent deflation that impacted Saudi Arabia for 2019 but like other major economies the absence of consumer demand will put downward pressure on prices. In particular, Saudi public sector workers won't receive a cost of living allowance from June which may further depress consumption.

Hotel occupancy in Dubai fell to just 23.6% in April as the UAE was closed to visitors. Average occupancy from January to April stood at 57% compared with 82.9% in the same period last year, according to data from STR Global. The supply of hotel rooms in Dubai fell by more than 14% y/y in April, as operators closed some hotels to reduce operating costs. Abu Dhabi's hotel occupancy stood at 48.6% last month, most likely due the use of hotels as quarantine facilities by the authorities. According to STR Global, average hotel occupancy globally was around 20% in April.

CPI vs 3mth avg: Synchronized slowdown



Source: Bloomberg, Emirates NBD Research. Note: India is consensus estimate for April

Today's Economic Data and Events

Event	Time	Value	Event	Time	Value
EZ Composite PMI May	12:00	27	UK Services PMI	12:30	24
US Initial Jobless Claims	16:30	2.4m	US Composite PMI	18:00	--

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries traded in a tight range amid a rebound in risk assets and as investors absorbed minutes from the last Fed meeting. Yields on the 2y UST and 10y UST remained flat at 0.16% and 0.68% respectively.

Beyond the Federal Reserve's concern over economic impact of the viral outbreak, the minutes showed interesting discussions about future guidance. Members discussed clarifying guidance via date or outcome based thresholds. There was also discussion on QE guidance both in general terms as well as a specific yield curve control of capping yields for short and intermediate term. A lot more clarity could emerge following the central bank's next meeting in June.

Regional bonds continue to benefit from renewed appetite for some emerging market assets as search for yield resumes. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped 9 bps to 3.51% and credit spreads tightened 7 bps to 287 bps.

Fitch affirmed Commercial Bank of Dubai's rating at A- with stable outlook.

FX

The dollar continued to struggle on Wednesday with its DXY index falling to 99.160, marking a decrease of over 1.20% since the start of the week. However, it has made a slight recovery this morning to trade at 99.340. A retest of the 100-day moving average (98.906) cannot be ruled out and will likely come into focus in the coming days. The JPY was largely unchanged, recording modest gains to reach 107.65.

The euro advanced for a fourth day against the dollar, increasing beyond the 100-day moving average (1.0970) and briefly looked to break through the 1.1000 mark but met resistance at this level. The currency is currently trading at 1.0960. Sterling is trading at 1.2200 after Bank of England Governor Andrew Bailey stated that negative rates were "under active review". The AUD continued its bullish form yesterday but has reversed a lot of its gains this morning to hover around 0.6560, whilst the NZD experienced similar movement but not quite as dramatic to trade at 0.6125.

Equities

Developed market equities closed higher as they continued to trade based on daily assessment of coronavirus and resulting measures impact on broader economy. At the moment, tensions between the US and China and indications of a prolonged downturn in economic activity appears to have limited impact on markets. The S&P 500 index and the Euro Stoxx 600 index added +1.7% and +1.0% respectively.

Regional markets closed mixed as investors paused to assess the recent rally. The Qatar Exchange added +0.6% while the DFM index and the Tadawul closed marginally higher. Egyptian equities closed sharply lower as the country tightened restrictions to combat coronavirus. The EGX 30 index fell -1.5%. Elsewhere, Aldar Properties reported a 46% y/y decline in Q1 2020 net profit to AED 300mn.

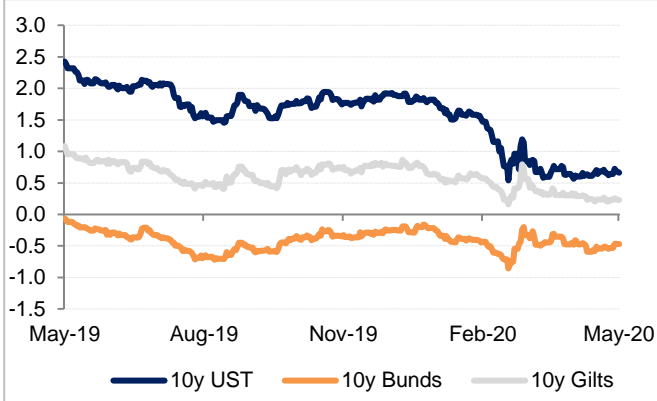
Commodities

Both WTI and Brent rose more than 3% overnight to settle at USD 33.49/b and USD 35.75/b respectively. WTI has gained five days in a row—its longest stretch since February—is also moving higher in early trade this morning.

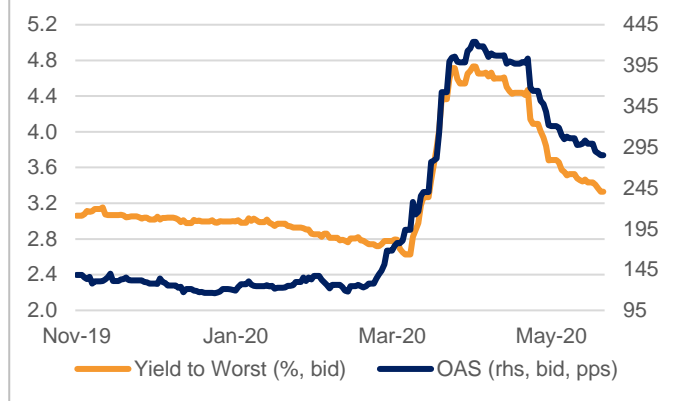
Crude inventories in the US fell by almost 5m bbl last week, their second week in a row of draws. Inventories at Cushing were down 5.6m bbl, allaying fears that storage would be hitting tank tops soon and helping to keep front month spreads relatively narrow. Digging deeper into the stock numbers, however, showed builds in gasoline and distillates with total petroleum inventories up 5m bbl. Production slipped another 100k b/d to 11.5m b/d while product supplied—a demand proxy—fell by 228k b/d.

Markets in Charts

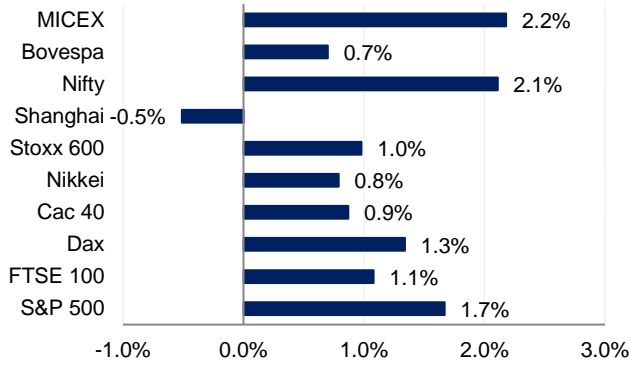
Global Bond Yields



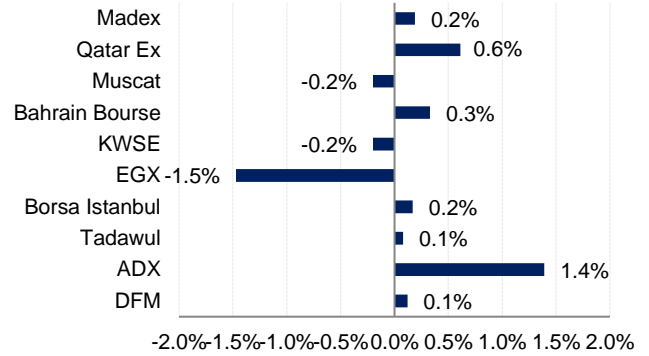
UAE liquid bond index



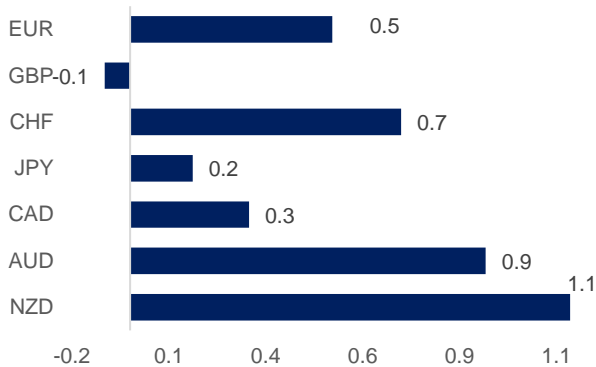
Global Equity Indices



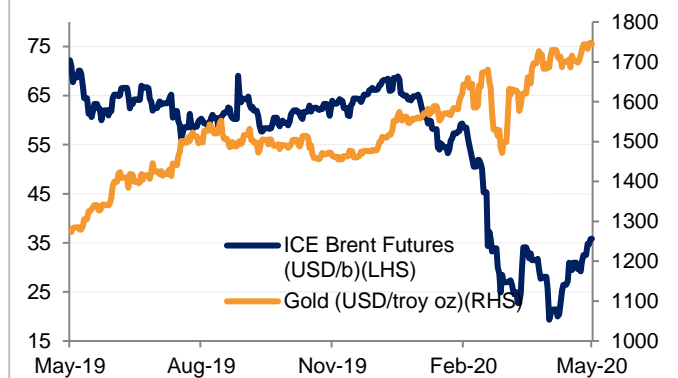
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0980	+0.52	1.1072	USDTRY	6.7907	+0.20	EURAED	4.0329	+0.52
GBPUSD	1.2245	-0.07	1.2265	USDEGP	15.8200	+0.19	GBPAED	4.4947	-0.13
USDJPY	107.53	-0.17	106.78	USDSAR	3.7561	-0.01	JPYAED	0.0342	+0.16
USDCAD	1.3901	-0.31	1.3896	USDQAR	3.6800	+0.38	CADAED	2.6426	+0.32
AUDUSD	0.6597	+0.92	0.6595	USDKWD	0.3088	-0.02	AUDAED	2.4231	+0.92
USDCHF	0.9651	-0.64	0.9539	USDBHD	0.3775	-0.01	CHFAED	3.8071	+0.70
EURGBP	0.8969	+0.60	0.9029	USDOMR	0.3847	--	TRYAED	0.5400	-0.36
USDAED	3.6730	--	3.6818	USDINR	75.7975	+0.21	INRAED	0.0552	+13.76

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4637	0.9506	1.1072	1.2210	USD 2 yr	0.251	-0
USD LIBOR	0.1730	0.3580	0.5861	0.7064	USD 5 yr	0.373	+0
GBP LIBOR	0.1320	0.2561	0.4561	0.6281	USD 10 yr	0.666	-1
JPY LIBOR	-0.0633	-0.0275	0.0145	0.1247	EUR 2 yr	-0.282	-0
CHF LIBOR	-0.7450	-0.6368	-0.5874	-0.4658	EUR 5 yr	-0.273	-0
					EUR 10 yr	-0.128	-0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1748.18	+0.18	ADGB 2.50 25	1.61	-10	Abu Dhabi	96	-2
Silver	17.56	+1.19	DUGB 3.89 25	2.01	-5	Bahrain	449	-5
Oil (WTI)	33.49	+3.05	QATAR 3.4 25	1.86	-9	Dubai	242	-4
Aluminium	1484.00	+1.67	US Tsy 2 yr	0.16	-0	Oman	672	+4
Copper	5417.50	+1.71	US Tsy 10 yr	0.68	-1	Qatar	96	-2
						Saudi Arabia	139	-3

Source: Bloomberg, Emirates NBD Research

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