



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

The European Commission provided more details on a fiscal stimulus package worth up to EUR750bn, up from the EUR500bn proposed on 18 May by France and Germany. However, the additional EUR 250bn will likely be in the form of loans rather than grants, potentially with some conditions attached. Importantly, the stimulus package would be funded by joint debt issuance, something which Germany (and other members) had resisted until a couple of weeks ago. However, the proposal will need to be approved by all 27 member states, which may prove difficult with Sweden already saying it won't support the plan in its current form. Austria, the Netherlands and Denmark are also opposed to grants. Funding is thus unlikely to be received by recipient countries (mainly Italy and Spain) until early next year. **Meanwhile ECB President Christine Lagarde said yesterday that the Eurozone economy is on track to shrink by 8-12% this year,** closer to the ECB's most pessimistic scenario rather than the "mild" scenario of -5%. The ECB will update its forecasts at the policy meeting next Thursday, when it is expected to increase the size of asset purchases.

In Japan, the cabinet approved a JPY 117tn (USD 1.1tn) stimulus package on Wednesday, the second such package in two months. The package includes financing for companies that need it, subsidies for business rents, health care assistance and extra money for local authorities. It also boosts loans and investment through government supported financial institutions.

The US House of Representatives passed a bill yesterday authorising sanctions against Chinese officials responsible for human rights abuses, and the White House said that Hong Kong could no longer be considered to be independent of China. This suggests Hong Kong could lose its special trading status with the US. China is expected to approve the national security law on Hong Kong today. **Separately, the Federal Reserve's Beige Book survey for May showed that businesses were "pessimistic about the potential pace of recovery" and the outlook remained "highly uncertain".**

Dubai will allow all 50% of public sector employees to return to their offices to work from Sunday, and 100% from 14 June as it gradually lifts restrictions on activity. Gyms and cinemas were allowed to open from 27 May. **Saudi Arabia will also start lifting restrictions in three phases from 28 May,** allowing private sector employees to return to offices. Public sector workers will return to work on Sunday. By 21 June, mosques in the Kingdom will be permitted to reopen and domestic travel will be allowed. However, international flights will remain suspended.

Today's Economic Data and Events

Germany CPI	16:00	0.6%	US Durable Goods	16:30	-19.3%
US Q1 GDP (2 nd estimate)	16:30	-4.8%	US Initial Jobless Claims	16:30	2.1mn

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries renewed their divergence from risk assets amid flight to quality on continuance of tensions between US and China. However, the move lost momentum in the last part of trading and yields on the 2y UST and 10y UST ended the day mixed at 0.18% (+1 bp) and 0.68% (-1 bp) respectively.

Regional bonds closed largely unchanged. The YTW on Bloomberg Barclays GCC Credit and High Yield index was flat at 3.48% while credit spreads widened marginally to 283 bps.

FX

It was mostly a quiet session for major currencies on Wednesday. Despite the announcement of an ambitious fiscal stimulus package by the European Union, the euro itself was largely unchanged for the day but has picked up steam in the early hours of this morning to reach 1.1020. The DXY index saw the dollar continue its bearish form but recorded minimal movement to reach 99.880. The JPY was similarly timid, trading at 107.80.

Sterling saw some of the most movement, with the currency declining by over -0.50% to reach 1.2270 after Brexit negotiator David Frost said that the UK would not extend the Brexit transition period. The AUD and NZD also declined, dropping by over -0.50% and -0.20% respectively but have partially reversed some of their losses this morning.

Equities

Developed market equities closed higher as investors retained their optimism over the reopening of various economies and expectations that damages to the economy from the pandemic has peaked. Investor sentiment also received a boost from the EU's economic recovery plan. The S&P 500 index and the Euro Stoxx 600 index added +1.5% and +0.2% respectively.

Some regional markets returned to trading following Eid holidays. They closed sharply higher as most countries in the region have also eased restrictions and allowed businesses to operate. The DFM index and the KWSE PM index added +2.4% and +3.0% respectively. Gains were broad based with most sectors participating in the rally.

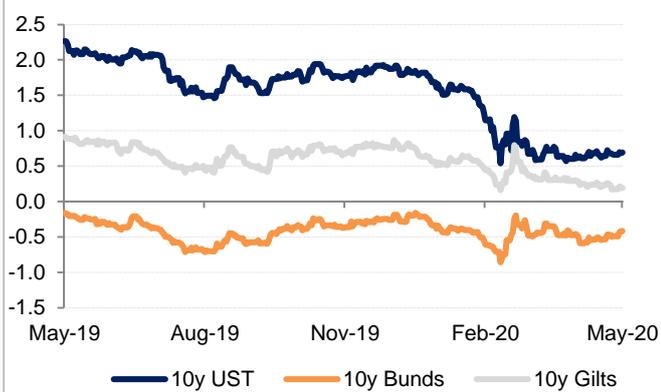
Commodities

Oil prices fell overnight as the market grew anxious over the return to hostile trade relations between the US and China and dithering on the part of some OPEC+ producers over whether to keep deep cuts in place for an extended period. The API also reported a build in US crude stocks of 8.7m bbl last week, snapping a few weeks of decline. EIA data will be released tonight, delayed thanks to a public holiday earlier in the week.

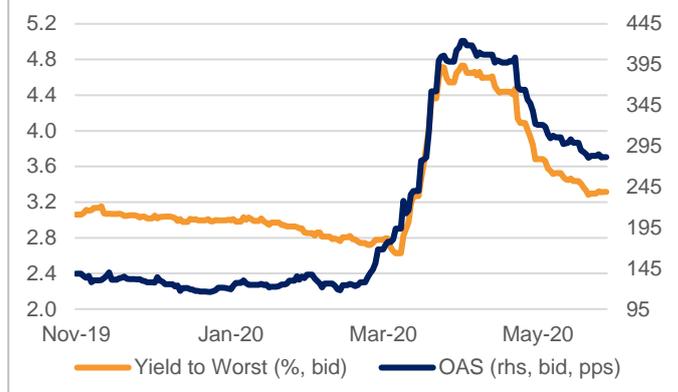
Brent futures settled at USD 34.74/b, down almost 4% and have given up an additional 2% in early trading today. Meanwhile WTI lost 4.5% to settle at USD 32.81/b and is off by another 3.2% in trading today.

Markets in Charts

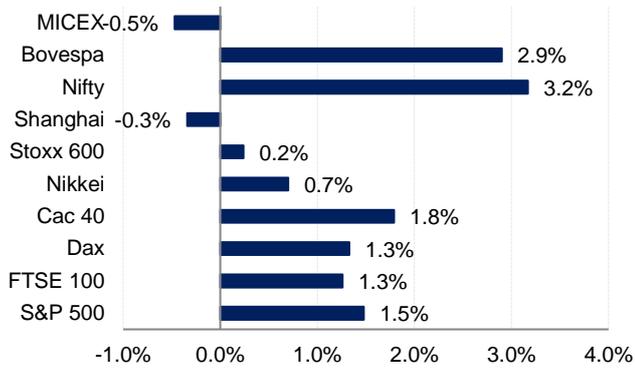
Global Bond Yields



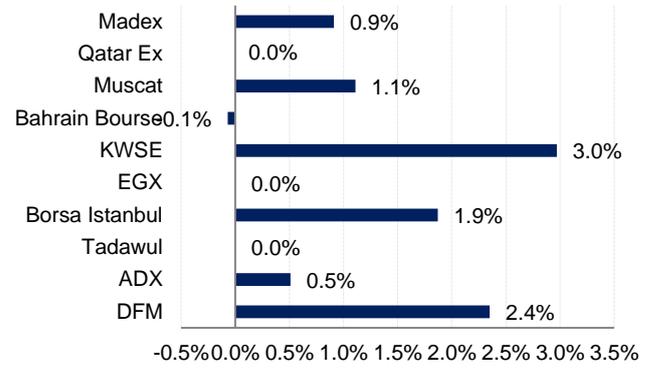
UAE liquid bond index



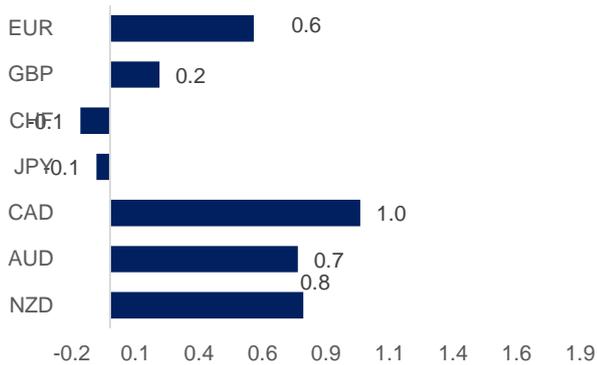
Global Equity Indices



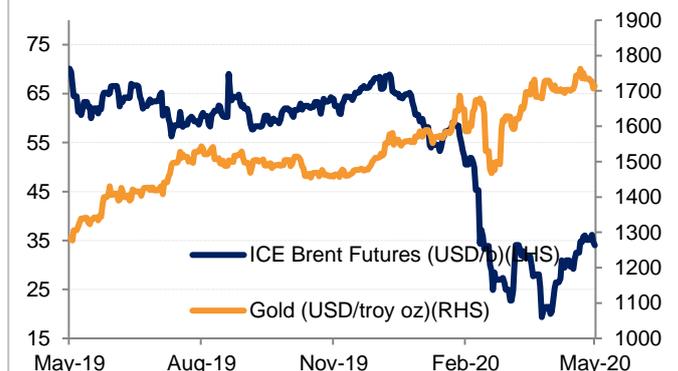
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1016	+0.57	1.1109	USDTRY	6.7699	+0.15	EURAED	4.0463	+0.58
GBPUSD	1.2334	+0.19	1.2353	USDEGP	15.8366	-0.15	GBPAED	4.5304	+0.21
USDJPY	107.72	+0.07	106.96	USDSAR	3.7567	-0.02	JPYAED	0.0341	-0.06
USDCAD	1.3738	-0.97	1.3737	USDQAR	3.6800	+0.38	CADAED	2.6734	+0.97
AUDUSD	0.6672	+0.74	0.6669	USDKWD	0.3087	-0.03	AUDAED	2.4503	+0.72
USDCHF	0.9692	+0.13	0.9581	USDBHD	0.3774	-0.01	CHFAED	3.7901	-0.12
EURGBP	0.8932	+0.38	0.8993	USDOMR	0.3850	-0.07	TRYAED	0.5400	-0.62
USDAED	3.6730	--	3.6818	USDINR	75.7162	+0.07	INRAED	0.0552	+13.76

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4042	0.8785	1.2516	1.3099	USD 2 yr	0.272	-0
USD LIBOR	0.1736	0.3625	0.5484	0.6805	USD 5 yr	0.392	-1
GBP LIBOR	0.0974	0.2449	0.3918	0.5894	USD 10 yr	0.693	+0
JPY LIBOR	-0.0783	-0.0373	0.0100	0.1220	EUR 2 yr	-0.285	-1
CHF LIBOR	-0.7598	-0.6488	-0.5866	-0.4818	EUR 5 yr	-0.264	-0
					EUR 10 yr	-0.108	-0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1709.47	-0.06	ADGB 2.50 25	1.59	-0	Abu Dhabi	94	+3
Silver	17.19	-1.04	DUGB 3.89 25	1.91	-1	Bahrain	438	+16
Oil (WTI)	32.81	-4.48	QATAR 3.4 25	1.85	-0	Dubai	227	-4
Aluminium	1500.50	+0.40	US Tsy 2 yr	0.18	+1	Oman	614	+18
Copper	5226.75	-1.89	US Tsy 10 yr	0.68	-1	Qatar	94	+4
						Saudi Arabia	139	+2

Source: Bloomberg, Emirates NBD Research

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