



بنك الإمارات دبي الوطني
Emirates NBD

Daily
9 June 2020

Daily Outlook

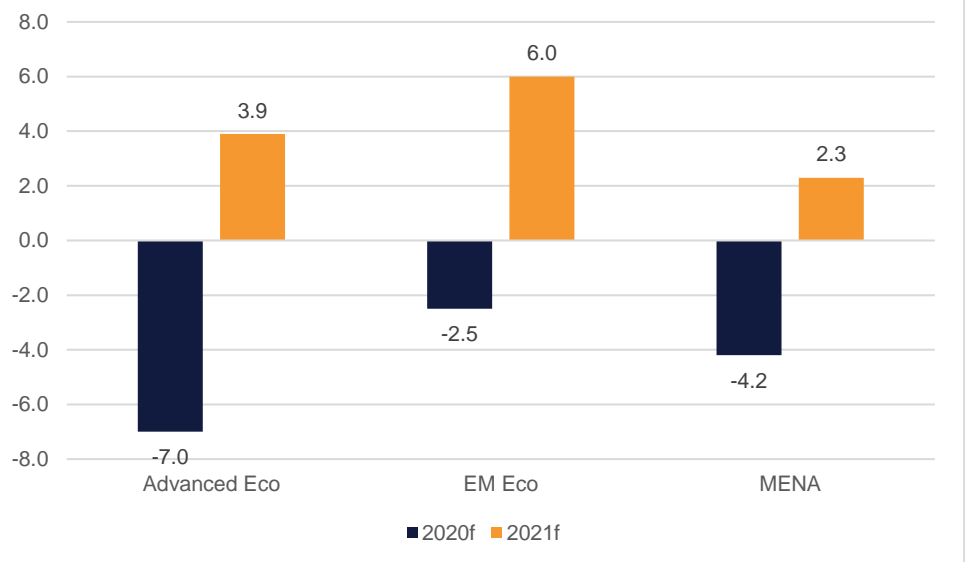
The World Bank released its semi-annual Global Economic Prospects report yesterday. The organisation expects global GDP to drop by 5.2% in 2020 with per-capita output contracting in more than 90% of countries. Every region has seen substantial growth downgrades. East Asia and the Pacific will grow by a scant 0.5%. South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%. Interestingly, China is one of the major economies which is expected to eke out growth of 1% in 2020.

The report further talks about two possible scenarios. If the pandemic recedes in a way that restrictions can be lifted by mid-year in developing economies and a little later in emerging economies then it expects global growth to rebound to 4.2% in 2021. However, should the measures remain in place longer or a second wave of infection happens then under that downside scenario, global growth could drop by as much as 8% in 2020.

Economic data coming out of various economies does lend some strength to these projections. Germany's industrial production fell a seasonally adjusted 17.9% m/m in April, the largest monthly drop on record. The Sentix Eurozone investor confidence showed an improvement from -41.8 in May 2020 to -24.8 in June 2020. Importantly, the expectation component of the survey turned positive with a reading of 21.8 compared to -15.8 in April 2020.

According to a report from The Business Cycle Dating Committee of the National Bureau of Economic Research, the US economy ended its longest expansion in history in February and entered recession as a result of the pandemic. The designation was expected but was notable for its speed, coming within four months after the recession began. The research group is considered the final arbiter for determining US business cycles.

World Bank sees sharp decline in global economy in 2020



Source: World Bank, Emirates NBD Research.

Today's Economic Data and Events

Event	Time	Value	Event	Time	Value
EZ GDP y/y	13:00	-3.2%	US NFIB Small Business Optimism	14:00	92.5
GE Trade Balance	10:00	11.6bn			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries traded mixed ahead of the Federal Reserve meeting later this week. There was a solid demand for 3y UST auction ahead of 10y and 20y UST sales later this week. The curve flattened with yields on the 2y UST and 10y UST ending the day at 0.22% (+2 bps) and 0.87% (-2 bps).

Regional bonds continued their positive run unabated in light of a much improved risk environment. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -6 bps to 3.25% and credit spreads tightened 4 bps to 247 bps.

First Abu Dhabi Bank raised HK750mn from the sale of a five-year green bond in a private placement. Elsewhere, Dubai Islamic Bank mandated banks for a USD-denominated sukuk.

FX

Monday saw the dollar remain under heavy selling pressure despite momentarily rising above the 97.000 mark. The DXY index recorded a decline of -0.20% to reach 96.720. USDJPY traded sideways for the majority of the day but then slumped in the evening by over -1.30%, currently trading at 108.15.

Sterling continued its rally against the dollar, hovering around the 1.2730 region for now, whilst the euro was largely unmoved at 1.1290. The AUD continued its positive form to rise just above the 0.7000 mark, its highest point since the final day of last year whilst the NZD increased by over 0.75% to reach its highest trading position since January.

Equities

Developed market equities closed mixed. While there was signs of profit booking in early part of the day, investors continued to put money into play in the latter half. The Euro Stoxx 600 index dropped -0.3% while the S&P 500 index added +1.2%. The S&P 500 index is now flat for the year.

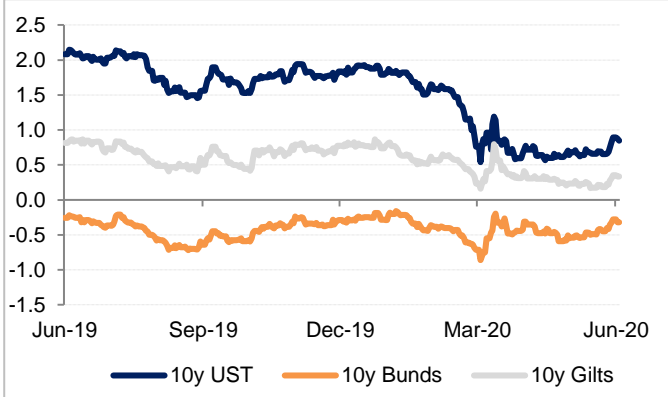
Regional markets closed mixed. The DFM index outperformed its peers with gains of +1.4% while the Qatar Exchange lagged behind with -0.4% losses. Real estate sector stocks led the gains on the DFM index with Emaar Properties and Union Properties adding +6.5% and +13.0% respectively.

Commodities

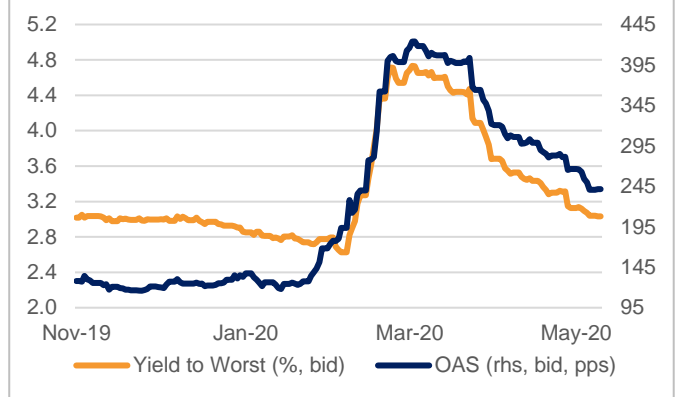
Oil prices slipped overnight as Saudi Arabia announced it would no longer provide additional cuts on top of its targets in the OPEC+ agreement. Both WTI and Brent futures were down around 3.5% at USD 40.80/b and USD 38.19/b. Saudi Arabia had been cutting output by an additional 1m b/d for June with the UAE and Kuwait providing some additional cuts. However, Saudi Arabia is pressuring OPEC+ member who didn't hit their targets to make up ground and thus will relax its own over-compliance.

Markets in Charts

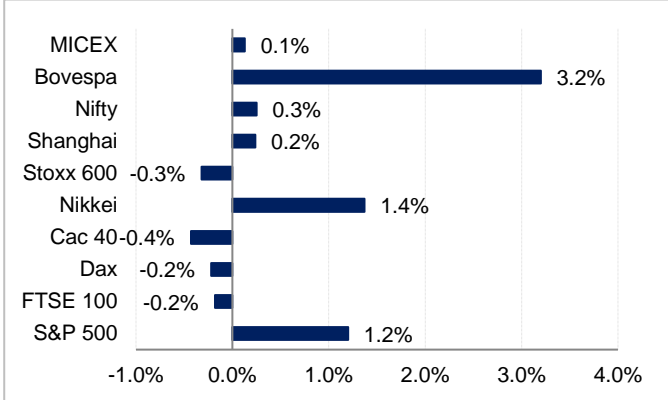
Global Bond Yields



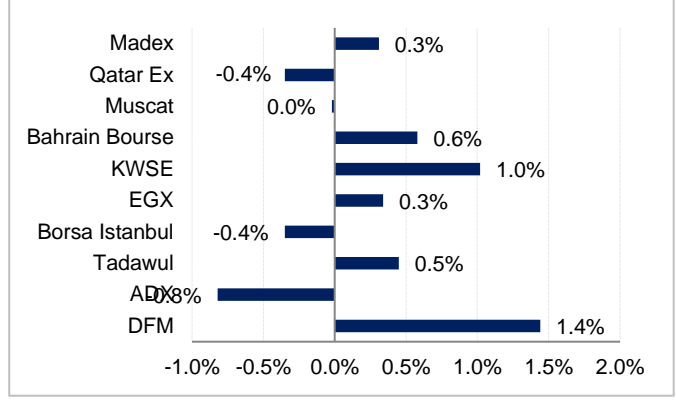
UAE liquid bond index



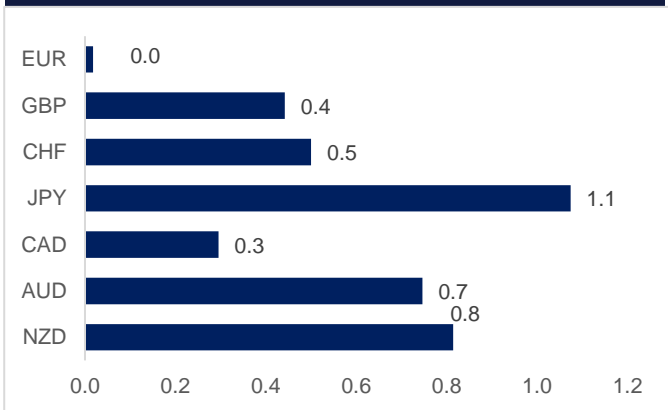
Global Equity Indices



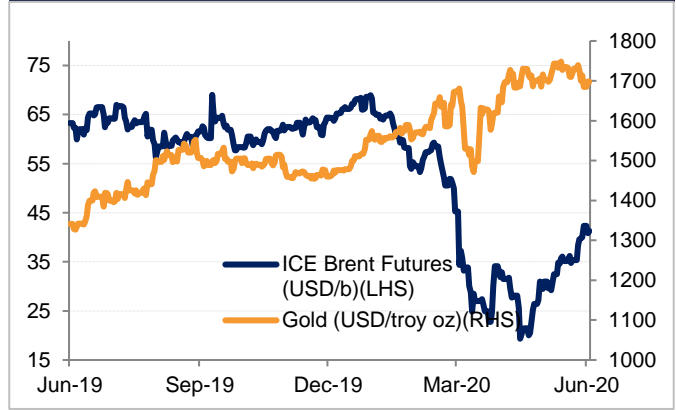
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1294	+0.02	1.1394	USDTRY	6.7876	+0.26	EURAED	4.1483	+0.02
GBPUSD	1.2724	+0.44	1.2746	USDEGP	16.2050	-0.17	GBPAED	4.6734	+0.44
USDJPY	108.43	-1.06	107.63	USDSAR	3.7526	-0.05	JPYAED	0.0339	+1.07
USDCAD	1.3382	-0.30	1.3383	USDQAR	3.6800	+0.24	CADAED	2.7447	+0.30
AUDUSD	0.7021	+0.75	0.7017	USDKWD	0.3080	+0.08	AUDAED	2.5784	+0.72
USDCHF	0.9576	-0.49	0.9464	USDBHD	0.3771	-0.01	CHFAED	3.8356	+0.50
EURGBP	0.8876	-0.41	0.8939	USDOMR	0.3850	-0.01	TRYAED	0.5400	-0.47
USDAED	3.6730	+0.00	3.6808	USDINR	75.5437	-0.05	INRAED	0.0552	+13.62

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4317	0.7250	0.9285	1.1316	USD 2 yr	0.307	+1
USD LIBOR	0.1766	0.3098	0.4834	0.6299	USD 5 yr	0.492	-2
GBP LIBOR	0.0913	0.2204	0.3808	0.5680	USD 10 yr	0.859	-2
JPY LIBOR	-0.0925	-0.0492	-0.0050	0.1100	EUR 2 yr	-0.311	-1
CHF LIBOR	-0.7768	-0.6612	-0.5840	-0.4614	EUR 5 yr	-0.264	-3
					EUR 10 yr	-0.045	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1698.53	+0.80	ADGB 2.50 25	1.66	-0	Abu Dhabi	77	-2
Silver	17.77	+2.06	DUGB 3.89 25	1.92	+0	Bahrain	388	-15
Oil (WTI)	38.19	-3.44	QATAR 3.4 25	1.80	-3	Dubai	189	-3
Aluminium	1579.50	+0.86	US Tsy 2 yr	0.23	+2	Oman	570	-26
Copper	5680.50	+0.20	US Tsy 10 yr	0.88	-2	Qatar	75	-7
						Saudi Arabia	116	-3

Source: Bloomberg, Emirates NBD Research

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