



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

Global markets suffered a reversal last week amid indications of a second wave of coronavirus infections across countries. Further, the Federal Reserve joined other global institutions in warning that the V-shaped economic recovery priced in by markets may not materialize even as they reiterated their commitment to using all tools to support the economy for as long as necessary.

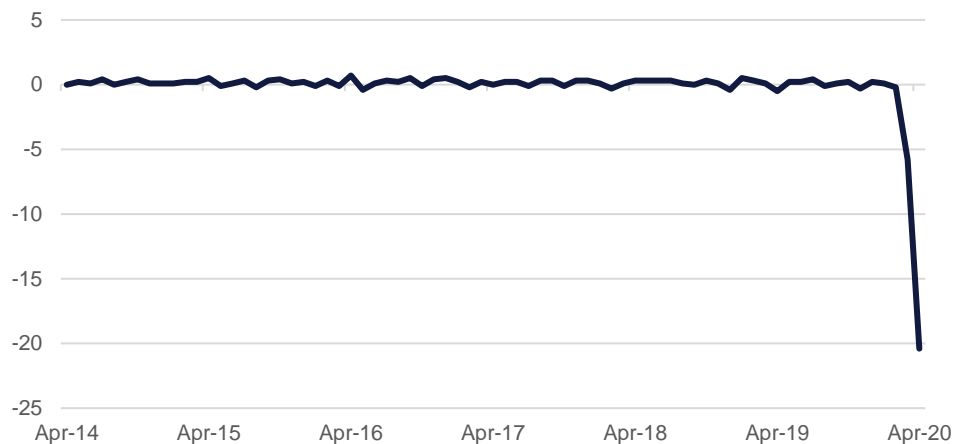
In China, parts of Beijing were locked down over the weekend to prevent the city's first coronavirus cases in fifty days from spreading. In America new cases were also reported to be increasing in some states, while the World Health Organization also said that the number of new coronavirus infections globally was also rising. The coming week will see Jerome Powell give his semi-annual monetary policy testimony to Congress, where he will likely restate the Fed's cautious views which may keep risk sentiment wary at least initially.

UK GDP plunged by 20.4% in April, the largest monthly contraction on record, following a -5.8% contraction in March. Manufacturing, construction and services were all badly hit. The OECD also singled out the UK as likely to be the worst performing major economy this year, with growth falling by -11.5% in its main scenario without a second wave of coronavirus while dropping by -14.0% under its second scenario with a second wave. The data will add pressure on the BoE to add further stimulus measures at this week's policy meeting, with talk that GBP150bn of new asset purchases will be added as officials seek to avoid moving into negative rates. It will also put pressure on the UK government to relax the lockdown further even as Covid-19 has not been eradicated.

EU and UK leaders will also meet today on video link to discuss trade post-Brexit. The UK has now formally ruled out extending its post-Brexit transition access to the EU's single market and customs union, and will exit the single market on January 1st next year. At this stage of the negotiations it seems unlikely that there will be a compromise over key differences over fisheries and EU regulations, which could cause GBP to struggle.

Lebanon saw more protests over the weekend as rumours that the pound had fallen below the 7,000 mark brought people out onto the streets once again. Prime Minister Hassan Diab has railed against 'corrupt' actors spreading rumours and destabilising the currency, and urged the central bank to intervene to bring it back down from LBP 5,000/USD to LBP 3,200/USD – still far off the previous long-standing official rate of LBP 1,507.5/USD.

UK GDP falls off a cliff in April (% m/m)



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

Event	Time	Change	Event	Time	Change
Canada manuf sales m/m	16:30	-20.0%	US Empire manuf survey	16:30	0.1%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher amid a reversal in risk sentiment. Comments from the Federal Reserve Chairman Jerome Powell on the path of economic recovery and interest rates also weighed on yields. The curve flattened with yields on the 2y UST and 10y UST ending the week at 0.19% (-1 bp w-o-w) and 0.70% (-19 bps w-o-w) respectively.

Regional bonds continued their positive run despite some losses in the second half of the week. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -10 bps w-o-w to 3.21% and credit spreads widened 6 bps w-o-w to 257 bps.

FX

The dollar remained bearish for the whole of last week only to experience a slight rebound in the final hours of Friday. The DXY index, a measure of the dollar against a basket of other major currencies, recovered all of its losses for the week to finish trading at 97.089, a 0.16% increase for the week. This came on the back of risk appetite starting to wane as markets became fearful of a second wave of coronavirus infections. USDJPY declined by over 2% for the week to reach 107.38.

After briefly breaching the 1.1400 level, the euro has since declined to 1.1255 against the dollar as market sentiment soured. Still the Eurozone continues to show a downtrend in Covid-19 cases whilst gradually opening up, giving markets some support. Sterling declined by 1% to finish the week at 1.2540 after UK GDP plunged by 20.4% in April, the largest monthly contraction on record. The AUD and NZD both failed to consolidate their gains for the week and declined by 1.48% and 1.02% respectively.

Equities

Regional equities started the new week on a negative note. Kuwaiti stocks led the decline with the KWSE PM index losing -3.2%. Banking stocks came under pressure after Kuwait's banking federation said that banks would not pay dividends for 2020. National Bank of Kuwait and Kuwait Finance House lost -4.0% and -3.8% respectively.

Elsewhere, Saudi Aramco completed the purchase of a 70% stake in Sabic through block trades worth USD 69bn. As per the terms of the acquisition, Saudi Aramco will pay USD 24.8bn upfront and the remaining USD 44bn in four installments until September 2025. The average price of the block trade was SAR 123.4 per share.

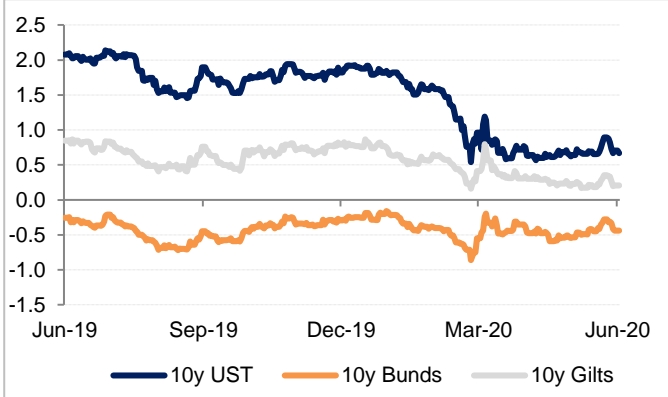
Commodities

Oil markets snapped their weekly winning streak last week as anxiety over the health of demand overpowered the OPEC+ decision to extend deep cuts for an additional month. Brent futures ended the week at USD 38.73/b, down 8.4%, after having hit an intra-week high of USD 43.41/b. In sympathy to the drop in spot prices, market structures also weakened last week. Front month spreads for both Brent and WTI futures closed the week in a contango of USD 0.25/b while Dec spreads widened their contango in both benchmarks.

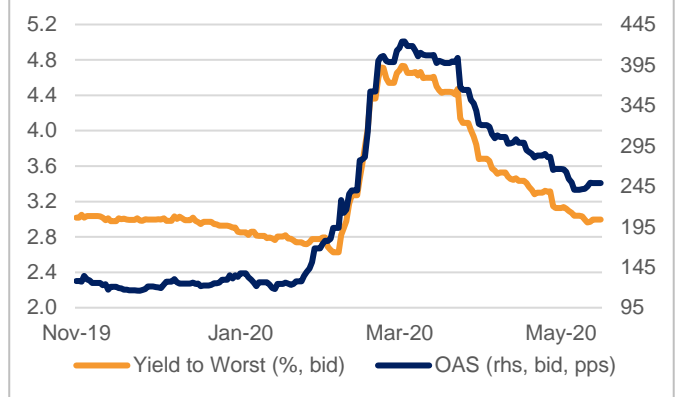
Both the IEA and OPEC will deliver their monthly oil market assessments this week which may see the agencies again revise up their demand expectations (or lower their projections for how badly demand will decline, based on your point of view). OPEC+ will also hold a meeting of its joint market monitoring committee (JMMC) to assess oil market conditions and potentially advise on near-term changes to production policy.

Markets in Charts

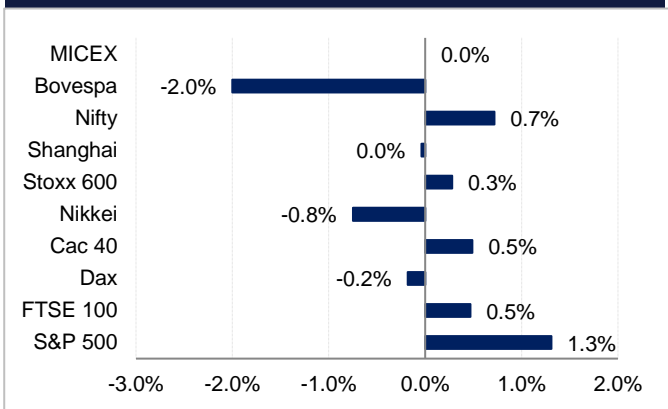
Global Bond Yields



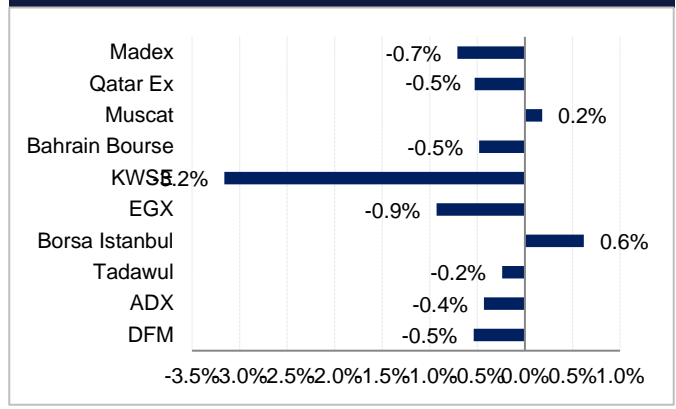
UAE liquid bond index



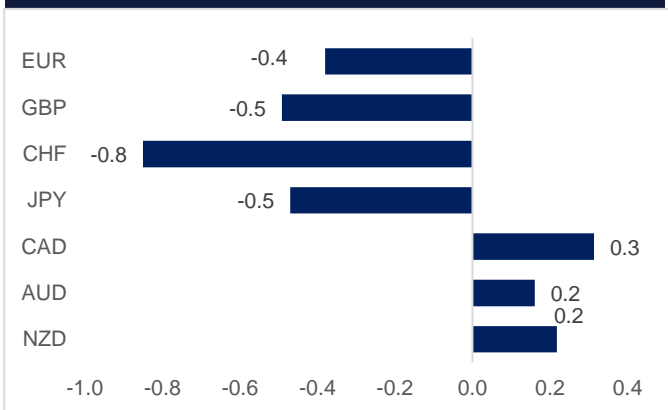
Global Equity Indices



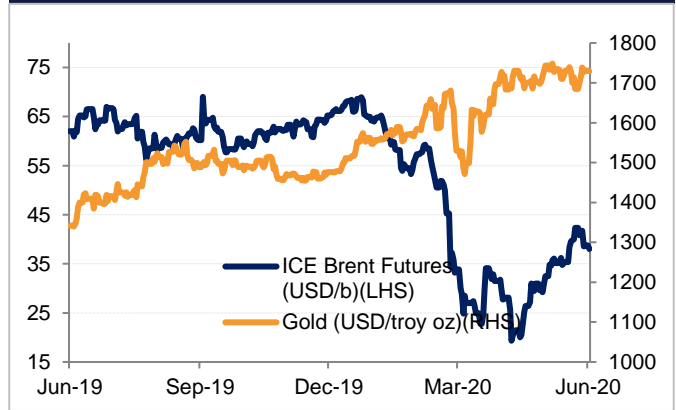
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1256	-0.38	1.1356	USDTRY	6.8140	-0.40	EURAED	4.1344	-0.37
GBPUSD	1.2540	-0.49	1.2564	USDEGP	16.1814	-0.07	GBPAED	4.6061	-0.48
USDJPY	107.38	+0.48	106.59	USDSAR	3.7539	+0.02	JPYAED	0.0342	-0.47
USDCAD	1.3589	-0.29	1.3588	USDQAR	3.6800	+0.19	CADAED	2.7034	+0.32
AUDUSD	0.6866	+0.16	0.6862	USDKWD	0.3077	+0.08	AUDAED	2.5219	+0.17
USDCHF	0.9524	+0.87	0.9413	USDBHD	0.3771	--	CHFAED	3.8566	-0.85
EURGBP	0.8976	+0.11	0.9038	USDOMR	0.3850	+0.07	TRYAED	0.5400	+0.58
USDAED	3.6730	--	3.6810	USDINR	75.8463	+0.08	INRAED	0.0552	+14.61

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4269	0.7414	0.8971	0.9989	USD 2 yr	0.266	-1
USD LIBOR	0.1951	0.3209	0.4320	0.5934	USD 5 yr	0.378	+1
GBP LIBOR	0.0945	0.1976	0.3480	0.5180	USD 10 yr	0.697	+3
JPY LIBOR	-0.0982	-0.0522	-0.0140	0.1073	EUR 2 yr	-0.325	-1
CHF LIBOR	-0.7708	-0.6606	-0.5866	-0.4598	EUR 5 yr	-0.302	-1
					EUR 10 yr	-0.122	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1730.75	+0.18	ADGB 2.50 25	1.66	+1	Abu Dhabi	79	-4
Silver	17.49	-0.91	DUGB 3.89 25	1.91	+1	Bahrain	362	+3
Oil (WTI)	36.26	-0.22	QATAR 3.4 25	1.72	+1	Dubai	192	+3
Aluminium	1560.75	-0.99	US Tsy 2 yr	0.19	-0	Oman	528	-2
Copper	5761.50	+0.35	US Tsy 10 yr	0.70	+3	Qatar	79	-3
						Saudi Arabia	101	-6

Source: Bloomberg, Emirates NBD Research

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