



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
17 June 2020

# Daily Outlook

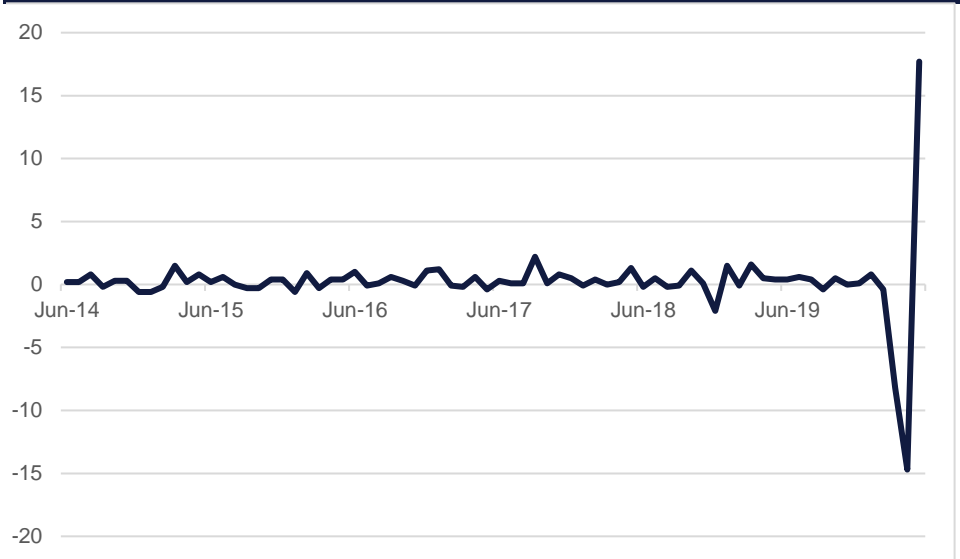
Markets remain subject to competing pressures, but are overall responding better to the message of more stimulus than to concerns about the resurgence of coronavirus, or even to some geopolitical flare-ups. Further to yesterday's Fed announcement about it buying corporate bonds, the BOJ also announced more QE of its own and the Trump White House was also reported to be pushing for USD 1trn of infrastructure spending, which would be a useful ploy to boost jobs heading towards the election. With reports of a possible treatment for Coronavirus also circulating these positives more than outweighed other reports of school closures in Beijing aimed at containing a fresh outbreak of Covid-19, as well as reports of more cases in the United States on a day when global cases surpassed 8 million.

Even Fed Chair Powell's dovish monetary policy testimony to Congress lacked the same impact as the FOMC statement last week. Powell stressed that it will take time for a full recovery in the economy given that it will depend on how the virus evolves. He said that the Fed's actions have been to fully support the economy, but that more monetary and fiscal policy support will probably still be needed. Neither its surging balance sheet nor inflation are concerns right now, and while he reiterated that the Fed is not even thinking about thinking of raising rates, neither are negative rates on their way. Yield curve control which is widely seen as the Fed's next policy tool is still being studied apparently.

Helping matters further were strong economic figures, especially retail sales which bounced 17.7% in May, with sales excluding autos jumping 12.4%, both record increases and nearly twice expectations. Industrial production was also positive but less so, rebounding 1.4% in May, just short of expectations, following a downwardly revised -12.5% in April. The US NAHB housing market index also jumped a record 21 points to 58 in June, while in Europe the German ZEW investor confidence bounced to 63.4, its highest reading since 2006, from 51.0 in the previous month.

Broad money supply in the UAE declined -0.9% m/m in May, but was up 9.9% y/y, the fastest rate of annual growth since November 2014. This was driven by cash in circulation, which rose 2.3% m/m and 18.4% y/y. Demand deposit growth also accelerated to 9.9% y/y in May from 8.5% y/y in April. No credit data for May is available yet.

## Resounding rebound in US retail sales (% m/m)



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

Event	Time	Value	Event	Time	Value
UK CPI y/y	10:00	0.5%	US housing starts	16:30	1100 k

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Treasuries closed lower as risk assets rallied. However, losses faded later in the session following concerns over second-wave of coronavirus infections. The Fed Chairman, in his testimony, said with reference to corporate bond buying that the Fed was not boosting purchases but rather shifting away from ETFs to the other form of index. Yields on the 2y UST and 10y UST ended the day at 0.20% (+1 bp) and 0.75% (+3 bps) respectively.

Regional bonds rallied sharply on positive global cues. YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -11 bps to 3.15% and credit spreads tightened 16 bps to 246 bps. According to reports, the Egyptian government is looking to raise a loan of more than USD 1bn and has tapped banks in the UAE to arrange the financing.

Sharjah Islamic Bank raised USD 500mn in 5y sukuk which was priced at 2.85%. The bank received more than USD 3.4bn in orders.

## FX

The US dollar experienced some positive movement on Tuesday, with its DXY index recording modest gains to reach 97.030. USDJPY traded mainly sideways for the session, similar to yesterday's movements despite the Bank of Japan expanding its support program to 110trillion yen. The pairing was largely unmoved at 107.30.

The euro looked to continue the positive movement it recorded towards the end of Monday, but slumped in the evening to trade very close to last week's closing price at 1.1265, a decline of over -0.50% for the session. Sterling also declined in the evening off the back of some slight strengthening in the dollar, and UK jobless claims rising more than expected. The currency declined moderately and has continued to do so this morning to trade at 1.2545. The same can be said for both the AUD and the NZD, who slipped by over -0.80% and -0.60% respectively.

## Equities

Developed market equities closed sharply higher as US retail sales data came in much stronger than expected. The S&P 500 index and the Euro Stoxx 600 index added +1.9% and 2.9% respectively.

Regional markets followed global cues. Gains were broad based with the DFM index adding +0.9% and the KWSEPM index rallying +1.6%. Aramex added 3% after the company launched a new service catering to ecommerce companies in the region.

## Commodities

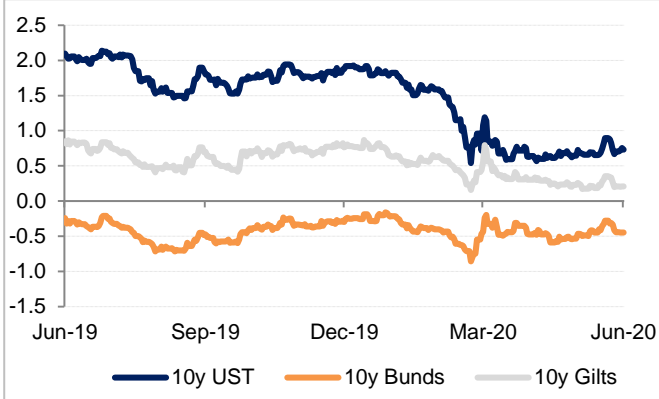
Oil prices extended gains overnight on indications of tighter supplies from OPEC+ countries even as demand concerns emerge again. Beijing has reportedly closed all schools in an effort to stamp out a second outbreak of Covid-19 in the city while cases in several US states that have reopened continue to push higher. Brent added 3.1% to settle just short of USD 41/b while WTI gained 3.4% to close at USD 38.38/b. Both are edging lower this morning.

The API reported a build in crude stocks of 3.86m bbl last week while there body also reported a sizeable build in gasoline stocks. EIA data is to be released later this evening that may confirm the resumption to stock builds.

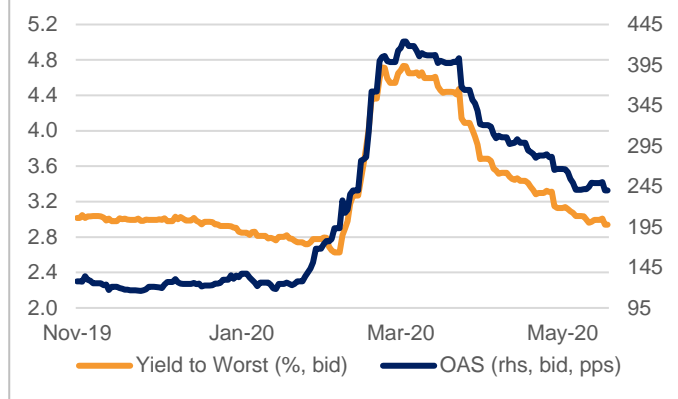
The IEA also revised higher its demand expectation for 2020 to 91.7m b/d from 91.2m b/d, still representing a more than 8m b/d drop y/y. For 2021 the agency expects a recovery in demand growth to 5.7m b/d but that total consumption will still fall short of 2019 levels.

## Markets in Charts

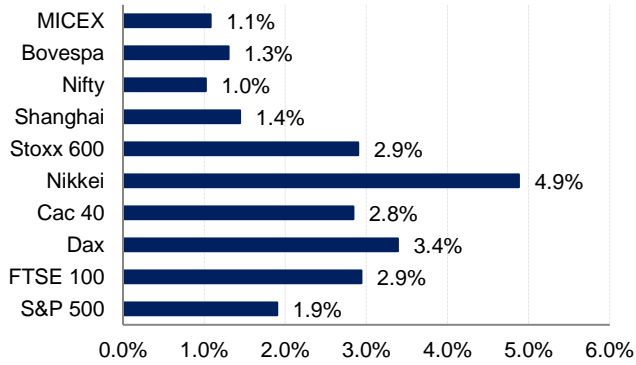
### Global Bond Yields



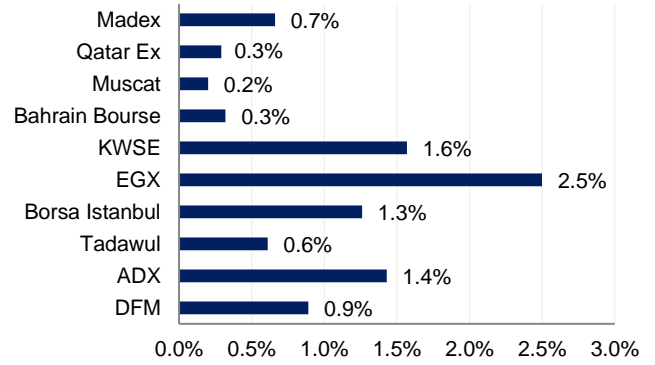
### UAE liquid bond index



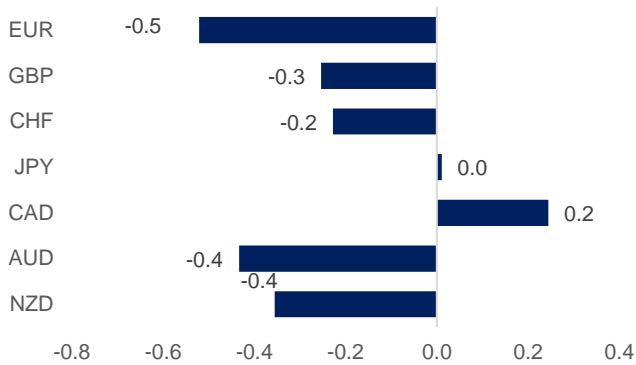
### Global Equity Indices



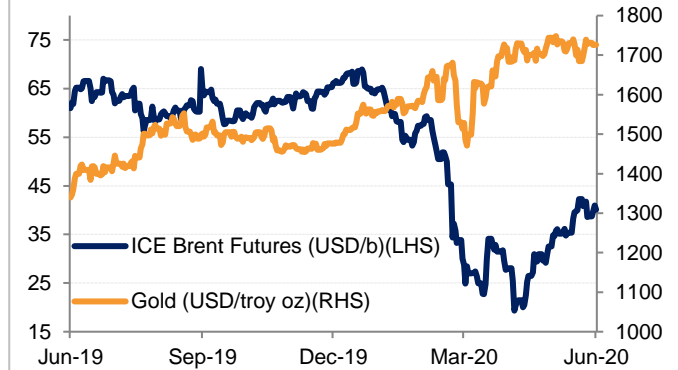
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1264	-0.52	1.1363	USDTRY	6.8415	+0.40	EURAED	4.1371	-0.52
GBPUSD	1.2573	-0.25	1.2598	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.6180	-0.26
USDJPY	107.32	-0.01	106.53	USDSAR	3.7519	-0.01	JPYAED	0.0342	--
USDCAD	1.3541	-0.23	1.3539	USDQAR	3.6800	+1.06	CADAED	2.7125	+0.24
AUDUSD	0.6889	-0.43	0.6885	USDKWD	0.3075	-0.08	AUDAED	2.5303	-0.44
USDCHF	0.9513	+0.22	0.9404	USDBHD	0.3771	--	CHFAED	3.8609	-0.23
EURGBP	0.8959	-0.27	0.9020	USDOMR	0.3850	--	TRYAED	0.5400	+0.18
USDAED	3.6730	--	3.6807	USDINR	76.2125	+0.24	INRAED	0.0552	+14.07

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4596	0.6543	0.8760	1.2105	USD 2 yr	0.266	+0
USD LIBOR	0.1939	0.2990	0.4309	0.5908	USD 5 yr	0.392	+0
GBP LIBOR	0.0941	0.1933	0.3353	0.5153	USD 10 yr	0.736	+2
JPY LIBOR	-0.0903	-0.0490	-0.0117	0.1103	EUR 2 yr	-0.325	+0
CHF LIBOR	-0.7794	-0.6608	-0.5854	-0.4600	EUR 5 yr	-0.298	+0
					EUR 10 yr	-0.119	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1726.53	+0.08	ADGB 2.50 25	1.58	-7	Abu Dhabi	75	-7
Silver	17.46	+0.43	DUGB 3.89 25	1.91	-4	Bahrain	361	--
Oil (WTI)	38.38	+3.39	QATAR 3.4 25	1.64	-12	Dubai	197	+4
Aluminium	1577.00	+1.49	US Tsy 2 yr	0.20	+1	Oman	519	-9
Copper	5698.50	+0.35	US Tsy 10 yr	0.75	+3	Qatar	75	-6
						Saudi Arabia	95	-13

Source: Bloomberg, Emirates NBD Research

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