



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
18 June 2020

www.emiratesnbdresearch.com

# Daily Outlook

Markets this week have been buffeted by contrasting pressures between geopolitical tensions and coronavirus resurgence on the one hand, and optimism about the outlook spurred by ongoing economic stimulus measures as well as progress in tackling the virus on the other. Our view conveyed in our June Monthly Insights publication ([Monthly Insights June 2020](#)) released yesterday is that sustainable economic recovery will be far from straightforward given all of these elements. Even though some of the economic survey data is improving and relaxation of lockdown restrictions continues it will take a long time for this to lead to sustainable recoveries, a point also made by Fed Chair Jerome Powell in his statements over the last week. The sharp bounce in retail sales earlier this week may have given the markets a false sense of security that recovery when it comes will be sharp and V-shaped, but more likely in our view it will take longer for the world economy to get back to where it was before Covid-19, which was in any case already quite weak, perhaps not until 2022.

Yesterday's US housing starts showed a more prosaic improvement than retail sales rising 4.3% to 0.974mn units in May, which was below expectations, after dropping -26.4% in April and tumbling -18.6% in March.

UK May CPI inflation eased to 0.5% y/y, a four-year low and down from 0.8% y/y in April. Core CPI fell to 1.2% y/y after 1.4% y/y, the lowest reading since October 2016. The data comes as the BoE's Monetary Policy Committee meets for its June policy meeting today. The inflation data will have been anticipated by policymakers, as would the terrible -20.4% m/m growth figures for April revealed last week. Policy measures have already been implemented both on the monetary and the fiscal front, and for the moment the central bank is likely to leave its interest rate settings unchanged, although it may increase its asset purchases. However, dovish guidance that more can be done will probably be maintained, including the possibility of negative interest rates, as recoveries in the UK and elsewhere will likely need ongoing support for some time.

## UK CPI inflation (% y/y) falls to four-year low ahead of BoE meeting



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

Bank of England Bank Rate	15:00	0.1%	US initial jobless claims	16:30	1290 k

Source: Bloomberg, Emirates NBD Research.

## **Fixed Income**

Treasuries closed marginally higher as investors turned cautious over risk assets. The testimony of the Fed Chairman had muted impact on markets. Yields on the 2y UST and 10y UST ended the day 0.19% (-1 bp) and 0.73% (-2 bps) respectively.

Regional bonds consolidated previous session gains. YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -2 bps to 3.13% and credit spreads hovered around 246 bps.

## **FX**

Major currencies fluctuated on Wednesday as risk-off trading resumed amid growing fears of a second-wave of coronavirus cases globally. The DXY index saw the dollar earn modest gains to trade at 97.120. USDJPY was largely unmoved for the day but declined in the evening and this morning to 106.90 .

The euro slipped slightly to 1.1240 whilst Sterling recorded a decline to trade at 1.2535 despite the U.K. publishing negotiating objectives for a trade deal with Australia and New Zealand. The Brexit deadlock with the EU continues. Meanwhile the AUD and NZD both decreased to trade at 0.6890 and 0.6460 respectively.

## **Equities**

Developed market equities closed mixed in what was a rather choppy session of trading. A lot of factors were at play including growing fears of a fresh wave of coronavirus cases and heightened geopolitical tensions. The S&P 500 index and the Euro Stoxx 600 index closed -0.4% and +0.7% respectively.

It was a rather quiet session of trading for regional markets. Saudi Aramco completed the Sabic transaction and agreed to new terms of payment with PIF. Under the new terms, Saudi Aramco will push most installments beyond 2022 and delay the final installment by three years to 2028.

## **Commodities**

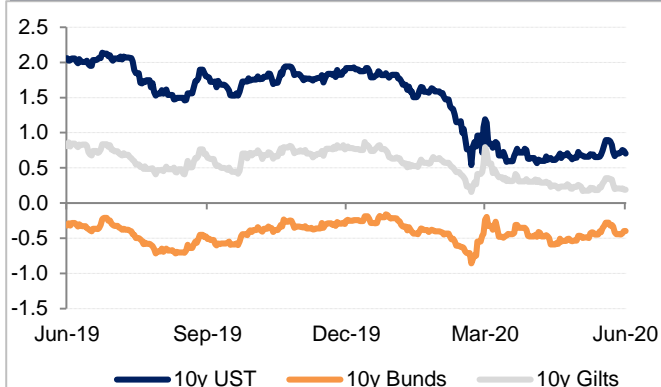
Oil prices slipped overnight as markets grow anxious over a reemergence of coronavirus cases in China and escalating geopolitical tensions elsewhere in Asia. Brent futures fell 0.6% to settle at USD 40.71/b and are down by 1% in trading this morning while WTI lost 1% overnight and is pushing lower again today to test the mid-USD 37/b level.

EIA data showed a near 3m bbl build in US crude inventories last week along with mixed draws and builds across the rest of the barrel. However, total petroleum inventories still gained by 7m bbl last week largely thanks to natural gas byproducts accumulating. Crude production fell by 600k b/d last week to 10.5m b/d, its lowest level since April 2018.

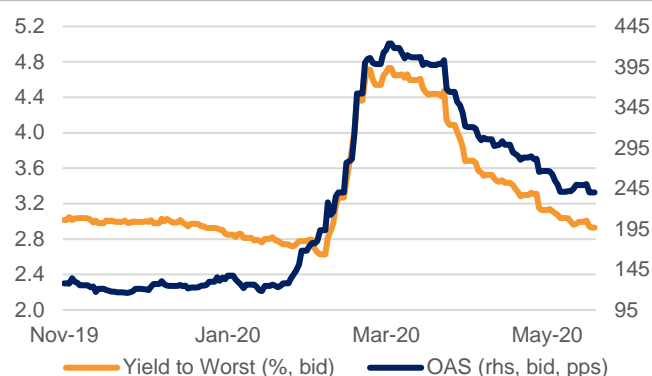
OPEC maintained its view for a 9.1m b/d decline in oil demand this year and expects a slow recovery over the rest of 2020. OPEC+ will hold its joint market monitoring committee later today and may recommend more short-term adjustments to oil supply over the rest of the year.

## Markets in Charts

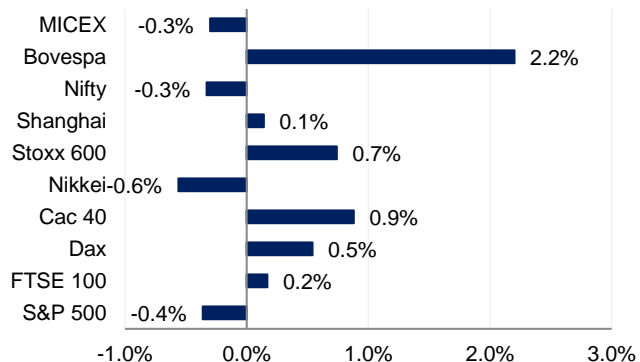
### Global Bond Yields



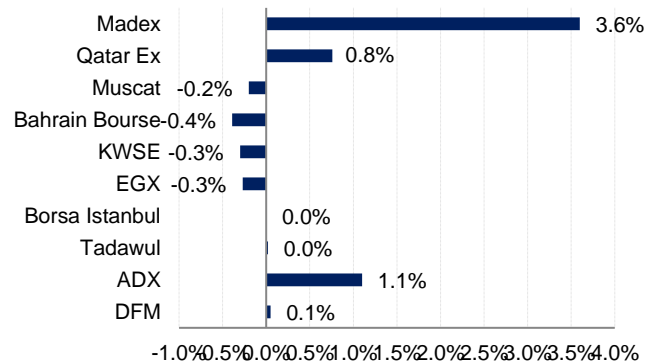
### UAE liquid bond index



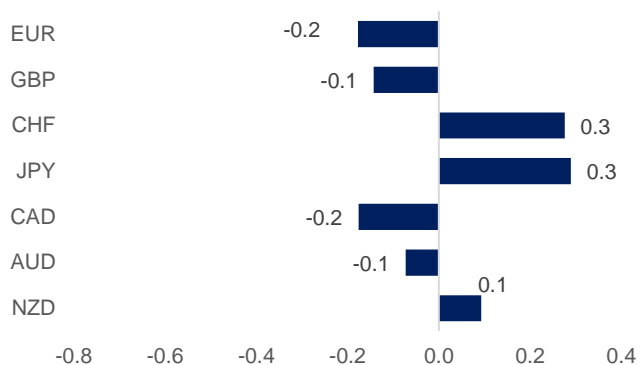
### Global Equity Indices



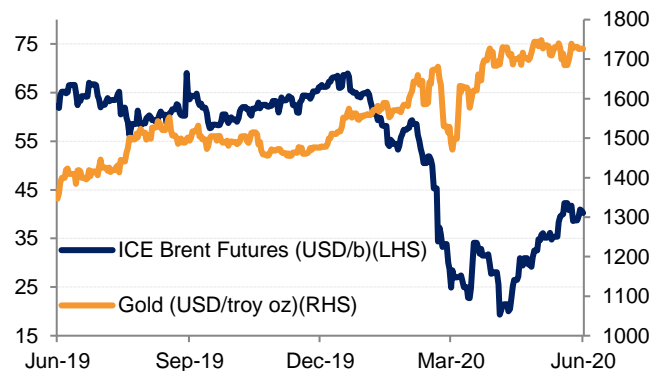
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1244	-0.18	1.1344	USDTRY	6.8455	+0.06	EURAUD	4.1297	-0.18
GBPUSD	1.2555	-0.14	1.2581	USDEGP	16.1721	+0.07	GBPAED	4.6118	-0.13
USDJPY	107.01	-0.29	106.24	USDSAR	3.7513	-0.02	JPYAED	0.0343	+0.29
USDCAD	1.3565	+0.18	1.3563	USDQAR	3.6800	+1.07	CADAED	2.7078	-0.17
AUDUSD	0.6884	-0.07	0.6881	USDKWD	0.3076	+0.05	AUDAED	2.5286	-0.07
USDCHF	0.9487	-0.27	0.9379	USDBHD	0.3771	--	CHFAED	3.8718	+0.28
EURGBP	0.8955	-0.04	0.9016	USDOMR	0.3850	--	TRYAED	0.5400	+0.58
USDAED	3.6730	--	3.6809	USDINR	76.1650	-0.06	INRAED	0.0552	+14.89

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4134	0.6648	0.8813	1.1880	USD 2 yr	0.262	-0
USD LIBOR	0.1938	0.3079	0.4298	0.5855	USD 5 yr	0.381	-1
GBP LIBOR	0.0871	0.1958	0.3139	0.5023	USD 10 yr	0.712	-2
JPY LIBOR	-0.0857	-0.0510	-0.0153	0.1027	EUR 2 yr	-0.336	-1
CHF LIBOR	-0.7764	-0.6604	-0.5864	-0.4558	EUR 5 yr	-0.307	-1
					EUR 10 yr	-0.117	+0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1726.95	+0.02	ADGB 2.50 25	1.58	-0	Abu Dhabi	73	--
Silver	17.51	+0.28	DUGB 3.89 25	1.89	-2	Bahrain	354	-7
Oil (WTI)	37.96	-1.09	QATAR 3.4 25	1.63	-1	Dubai	181	-16
Aluminium	1582.75	+0.36	US Tsy 2 yr	0.20	-0	Oman	514	-5
Copper	5741.00	+0.75	US Tsy 10 yr	0.74	-1	Qatar	74	--
						Saudi Arabia	97	--

Source: Bloomberg, Emirates NBD Research

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