



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

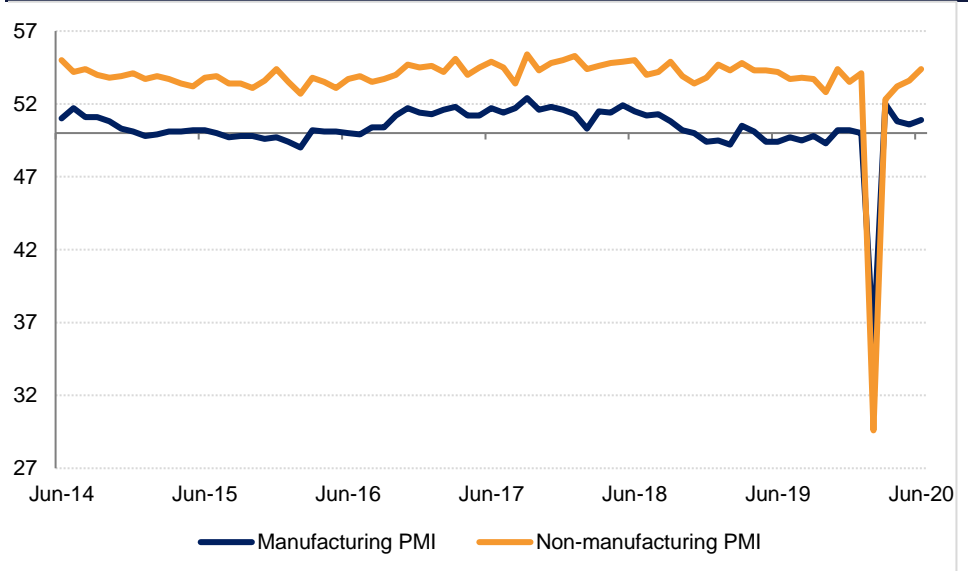
China's official manufacturing PMI rose slightly to 50.9 in June while the non-manufacturing PMI rose to 54.4 from 53.6 in May; both readings were better than the consensus forecast. The composite PMI increased to 54.2 this month, the highest reading since May 2018. Chinese exports benefitted from the gradual re-opening of economies around the world, but employment declined further. Separately, China approved the new security law for Hong Kong shortly after the US suspended regulations allowing the special treatment of Hong Kong, making it harder for US companies to export sensitive technology to the city-state.

Jerome Powell is due to testify before the House Financial Services Committee today. His prepared remarks describe the US economic outlook as "extraordinarily uncertain", and he notes that the spread of the coronavirus must be contained to ensure a sustained recovery in hiring and consumer spending. US pending home sales surged 44.3% m/m in May, much more than the market had been expecting. The Dallas Fed Manufacturing Activity index also came in better than expected at -6.1 in May compared with -49.2 in May.

In the Eurozone, economic and consumer confidence improved in June but both remain well below pre-crisis levels. Inflation in Germany rose by a higher than expected 0.6% m/m and 0.9% y/y in June as service providers increased prices after facing more stringent health and safety measures as they re-opened after lockdown.

In the UK, mortgage approvals in May came in well below expectations at just 9.3k, down from 15.8k in April. **PM Boris Johnson is due to give a speech today where he is expected to announce more investment in infrastructure in order to help put the economy back on track post-coronavirus.** He has pledged not to introduce austerity measures to address the ballooning budget deficit in the near-term, making growth a priority.

Official China PMIs



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

Event	Time	Value	Event	Time	Value
UK Q1 GDP (final)	10:00	-1.6%	Eurozone CPI y/y	13:00	0.2%
US MNI Chicago PMI	17:45	45.0	US Consumer PMI	18:00	91.4

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries continued to rally to start the week although gains were relatively muted. Yields on 2yr USTs slipped by less than 2bps with a similar decline seen on the 10yr which closed at 0.62%. Yields are not far off their year-to-date lows of 0.55% and a push lower as investors move out of equities seems probable in the near term.

Federal Reserve Chair Jerome Powell stressed that the economic recovery underway in the US was 'uneven' and said support would remain in place while also apparently calling on the government for more support from fiscal policy.

Jordan is preparing for a 5yr and 10yr benchmark issuance, according to press reports. Jordan is rated B1 (Moody's) and B+ by S&P. Jordan's current 10yr issuance maturing in 2026 is currently yielding just below 5% although it spiked to almost 9% earlier in the year.

FX

The dollar started Monday in negative form but saw a resurgence in the evening off the back of vastly better than expected pending home sales in the U.S. The DXY index traded at lows of 97.144 before rallying and currently trades at 97.485. USDJPY benefitted from this spike, advancing to its highest level in 20 days at 107.88, breaching the 50-day moving average (107.40) but was met with some resistance here and has consolidated at 107.60. A break above the 100-day moving average (107.95) is in sight.

The euro has dropped off highs of 1.1288 reached in the early afternoon after an acceleration in German state inflation rates, and eventually declined to 1.1240 against the dollar. Sterling also slumped in the evening, reaching its lowest point since May at 1.2300 and has remained at this level amid increasing coronavirus concerns in the U.K, and in particular Leicester. The AUD earned modest gains at 0.6880 whilst the NZD was largely unchanged at 0.6420

Equities

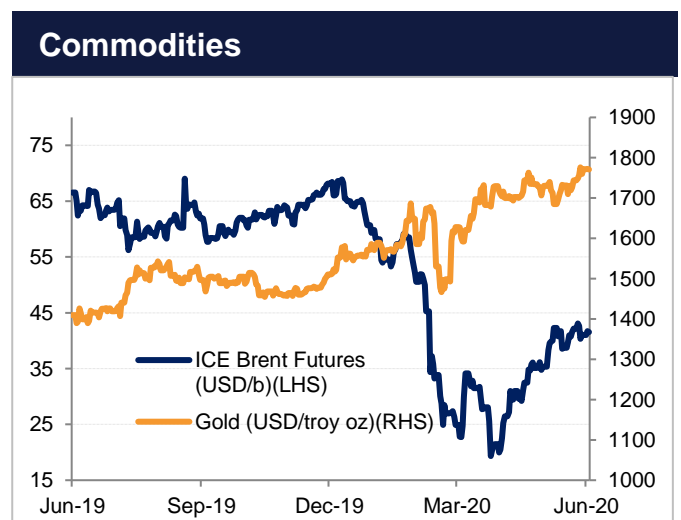
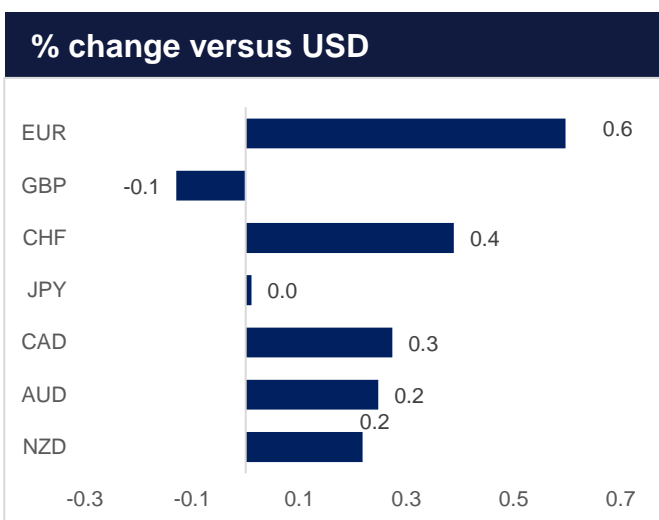
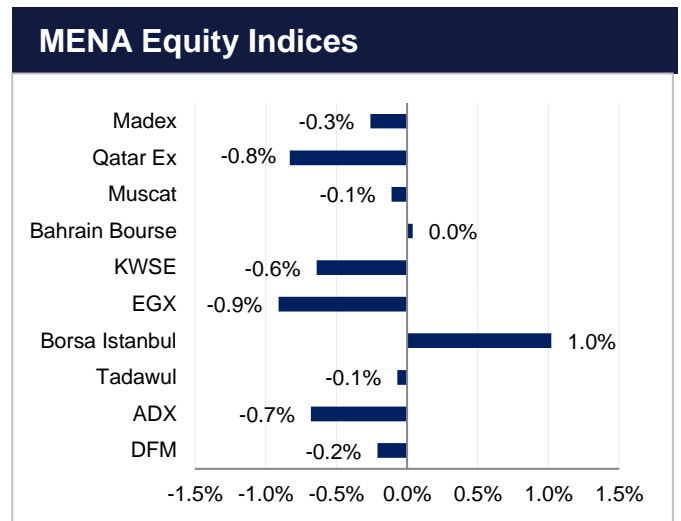
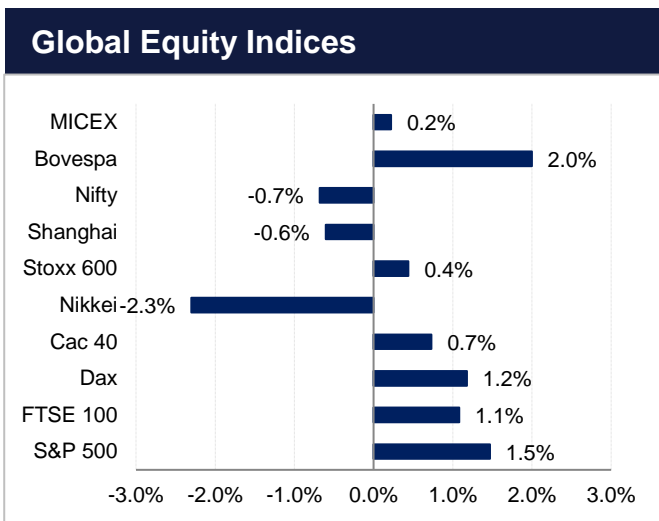
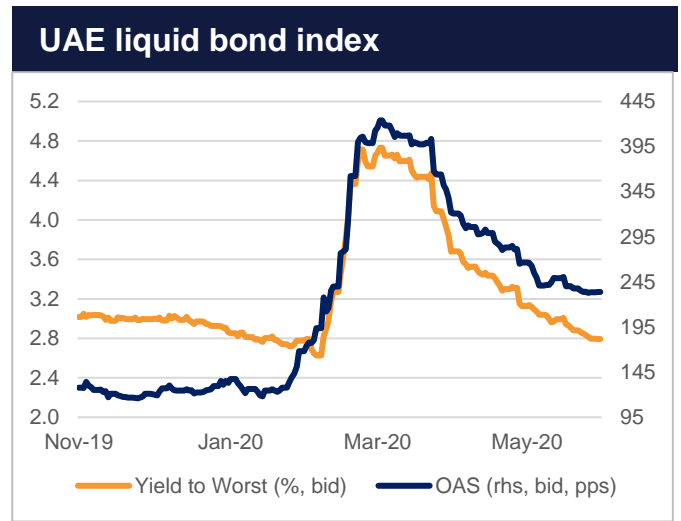
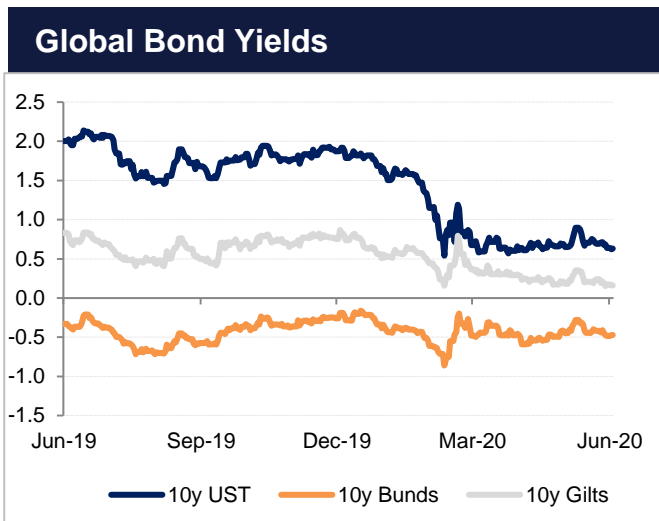
Equities recorded another solid day of gains even as the Fed chair warned of an uneven economic recovery. Better than expected pending home sales and a respite—if temporary—from an acceleration in Covid-19 cases helped to shore up sentiment. The S&P 500 added 1.5% overnight while the FTSE and Dax were both higher by around 1%. Asian equities are catching up this morning with gains across the Nikkei, Hang Seng and Shanghai indices.

Regional markets were less sanguine. The DFM closed lower by 0.2%, the ADX was off by 0.7% and the Tadawul was near flat with a downward bias.

Commodities

Oil prices shook off early uncertainty to start the week higher. Brent prices settled up 1.7% at USD 41.71/b while WTI jumped more than 3% to close at USD 39.70. Positive risk sentiment helped pull oil prices higher with few fundamental catalysts affecting the market. PMI numbers out of China this morning showed an acceleration into June which should also provide some near term support for the demand outlook.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1286	+0.60	1.1384	USDTRY	6.8539	-0.09	EURAED	4.1454	+0.53
GBPUSD	1.2320	-0.13	1.2342	USDEGP	16.1816	+0.12	GBPAED	4.5246	-0.75
USDJPY	107.21	-0.01	106.49	USDSAR	3.7511	-0.00	JPYAED	0.0343	-0.32
USDCAD	1.3651	-0.27	1.3650	USDQAR	3.6800	+0.29	CADAED	2.6905	-0.08
AUDUSD	0.6882	+0.25	0.6879	USDKWD	0.3078	+0.00	AUDAED	2.5271	-0.09
USDCHF	0.9443	-0.36	0.9338	USDBHD	0.3771	-0.00	CHFAED	3.8894	+0.33
EURGBP	0.9161	+0.73	0.9224	USDOMR	0.3847	-0.06	TRYAED	0.5400	+0.86
USDAED	3.6730	+0.00	3.6809	USDINR	75.5800	-0.08	INRAED	0.0552	+13.68

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4319	0.5454	0.8788	1.1966	USD 2 yr	0.237	-0
USD LIBOR	0.1710	0.2961	0.3669	0.5559	USD 5 yr	0.340	-0
GBP LIBOR	0.0916	0.1316	0.2783	0.4574	USD 10 yr	0.636	+1
JPY LIBOR	-0.0770	-0.0458	-0.0158	0.1142	EUR 2 yr	-0.382	+0
CHF LIBOR	-0.7638	-0.6698	-0.6176	-0.4646	EUR 5 yr	-0.351	+1
					EUR 10 yr	-0.180	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1772.82	+0.09	ADGB 2.50 25	1.36	-1	Abu Dhabi	76	--
Silver	17.92	+0.64	DUGB 3.89 25	1.72	-1	Bahrain	347	-3
Oil (WTI)	39.70	+3.14	QATAR 3.4 25	1.46	+1	Dubai	190	--
Aluminium	1589.50	+0.20	US Tsy 2 yr	0.15	-2	Oman	489	--
Copper	5951.50	-0.03	US Tsy 10 yr	0.62	-2	Qatar	77	+1
						Saudi Arabia	107	+6

Source: Bloomberg, Emirates NBD Research

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