



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

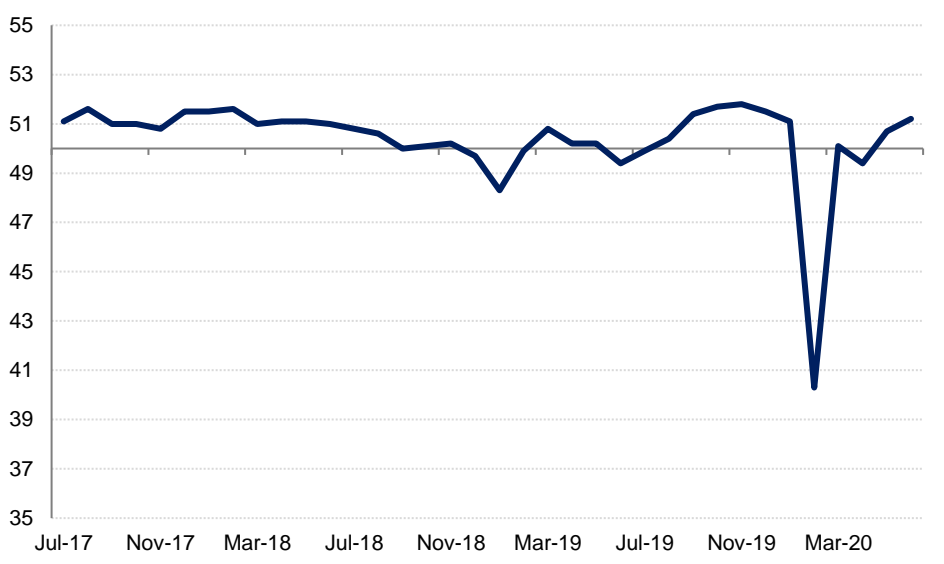
Dubai World paid off USD 8.2bn in debt outstanding that had been due only in September 2022. The move draws a line under Dubai GREs' debt restructuring after the Global Financial Crisis. Dubai World used its own funds as well as a USD 3bn loan from Dubai Islamic Bank to make the payment. **Separately, the Dubai Statistics Centre said the economy contracted -3.5% in Q1 2020 compared with growth of 2.2% in the same period last year.** The key sectors of wholesale & retail trade, transport & storage contracted in the first quarter, and the contraction likely worsened in Q2 as most the economy was shutdown for much of April and only partially reopened in May. As a result, it is likely that many businesses may be looking to restructure some of their obligations in the next 6-12 months.

Fed Chairman Jerome Powell told congress that the Fed could lower the threshold to allow more small and medium sized companies to access central bank funding but acknowledged that making very small loans would be logistically difficult for the Fed. At the moment, the minimum loan size is USD 250k. He stressed the need to contain the pandemic in the US in order to turn the recent improvement in economic activity into a more sustained recovery. Separately, Dr Fauci warned that infection rates in the US could rise to 100k per day – more than double where they are now – if behaviours don't change.

UK GDP for Q1 was revised lower to -2.2% q/q (-1.7% y/y) from -2.0% (-1.6%) in the first estimate. Boris Johnson's "New Deal" speech essentially brought forward pledged infrastructure spending of GBP 5bn into this year, to boost growth. More details on the plan will be announced by the Chancellor on 8 July.

The Caixin China manufacturing PMI, which focuses more on smaller private businesses than the official PMI, came in higher than expected at 51.2 in June, up from 50.7 in May. The improvement in new orders was attributed to better external conditions, as economies around the world eased restrictions, boosting exports from China.

Caixin China Manufacturing PMI



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

Germany unemployment	11:55	120k	US ADP Employ.	16:15	2900
US ISM Manufacturing	18:00	49.7	FOMC Meeting Mins	22:00	n/f

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries ended the quarter on a soft note with yields on the 10yr rising by 3bps and the curve steepening across the back end. Throughout the quarter yields on the 10yr had a range of motion of around 33bps, hitting a peak of 0.89% in early June before sliding back to 0.66% at month end as concerns over the resurgence of Covid-19 took hold.

EM bonds had a strong second quarter, gaining nearly 12% in line with a recovery in oil prices. Local UAE bonds caught part of that rally; the Bloomberg USD UAE index rallied 9% over Q2.

Jordan has issued dollar-denominated debt for the first time since 2017. The double-tranche issuance consisted of a five-year USD 500mn Eurobond at 4.95% and a 10-year USD 1.25bn at 5.85%. According to the Ministry of Finance, the issuance was 6.25 times oversubscribed, and was at lower cost compared to the last Eurobond issuance which the Jordanian authorities cited as testament to their progress in containing the coronavirus pandemic. A new deal signed with the IMF in March will likely have also reassured investors that Jordan remains committed to its necessary structural reforms.

FX

Tuesday saw the dollar initially continue its positive form after Monday, briefly touching the 97.802 mark before meeting resistance and ultimately failing to preserve its gains, resulting in a decline to 97.330. USDJPY experienced some erratic movement during the day and looked to gain traction in the evening and this morning, but has fallen to 107.70 in early trade today.

The euro slumped in the afternoon, decreasing below the 1.1200 level, but has recuperated these losses and currently trades just below Monday's closing price at 1.1240. Sterling rallied to 1.2385 this morning off the back of end of month flows and some improvement in risk appetite. The AUD and NZD both recorded modest gains, trading at 0.6910 and 0.6460 respectively.

Equities

Equities rallied into the final day of the quarter with the S&P posting gains of more than 1.5% with strong performance on the NASDAQ and Dow as well. In Europe equities were more mixed with the FTSE losing ground (0.9%) while the Dax was up by around 0.6%. Trading in Asia is mixed today with the Nikkei off slightly and the Shanghai gaining 0.6% while the Hang Seng is closed for a public holiday.

Regional markets were mixed with both the DFM (-0.7%) and Tadawul (-0.9%) declining while the Abu Dhabi market managed to reverse its prior day's losses and gained 0.24%.

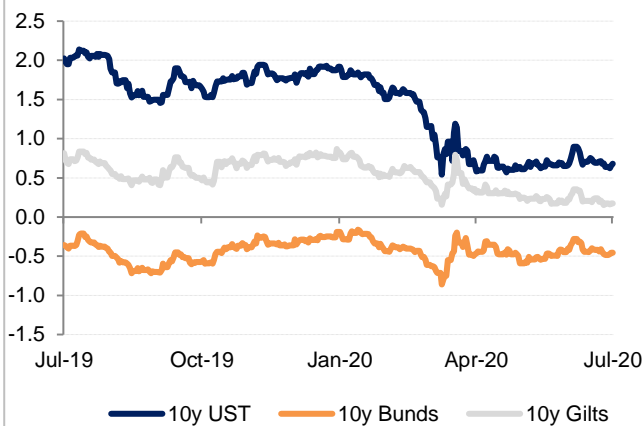
Commodities

Oil futures rounded off an extremely volatile second quarter with a day of declines. Both Brent and WTI futures slipped by more than 1% to settle at USD 41.15/b and USD 39.27/b respectively. All told, however, Brent gained 81% in the quarter and was outshone by WTI adding almost 92%! However, Q2 2020 will be likely most remembered for the unprecedented demand shock and record OPEC+ adjustment as well as oil prices recording a negative close for the first time.

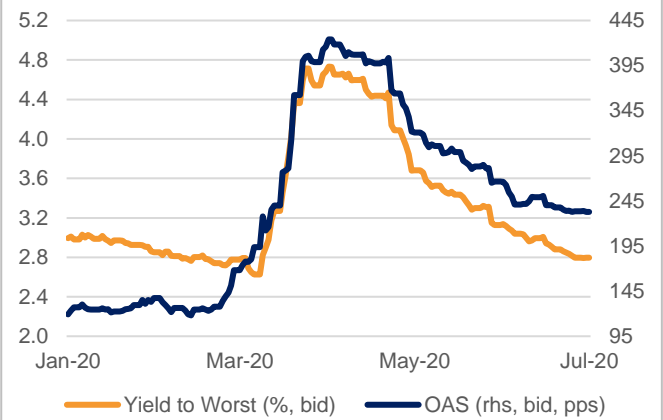
Most of the gains came early in the quarter with prices in June holding to a narrow range for both Brent and WTI. Anxiety over a possible resurgence of Covid-19 cases will keep a handbrake on rallies even as signs of rebalancing persist. The API reported a sizeable drop (8.2m bbl) in US crude stocks last week as the market waits for official EIA data out later today.

Markets in Charts

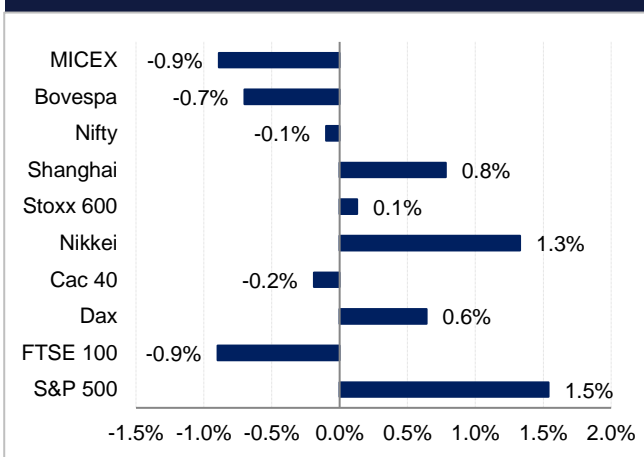
Global Bond Yields



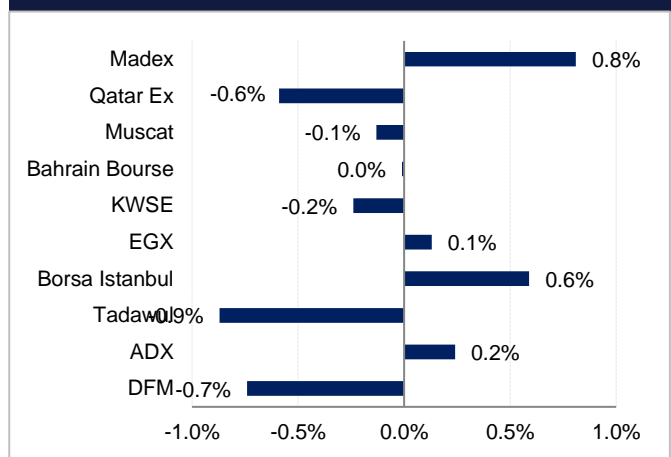
UAE liquid bond index



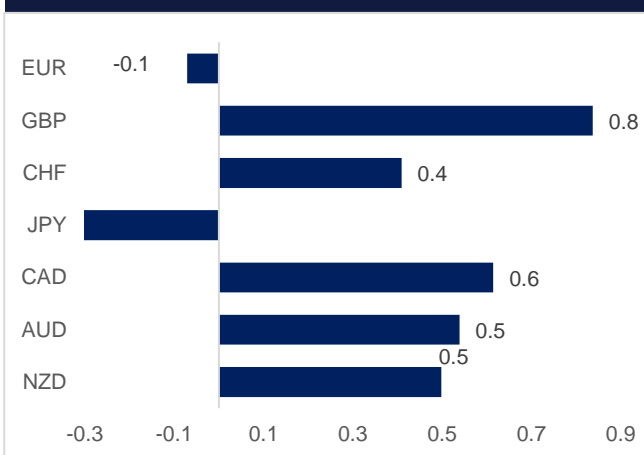
Global Equity Indices



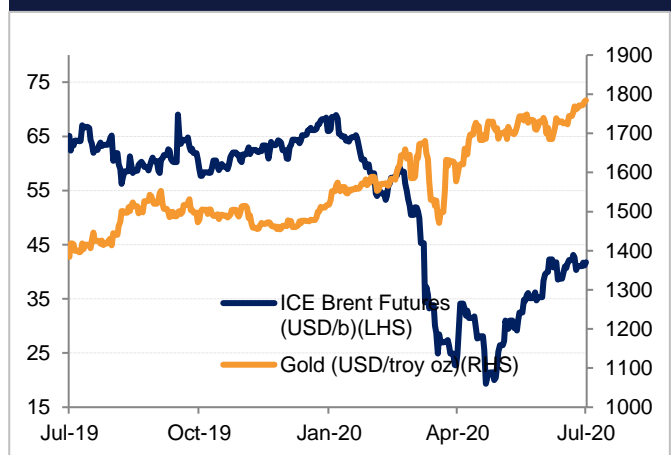
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1234	-0.07	1.1330	USDTRY	6.8529	-0.03	EURAED	4.1261	-0.08
GBPUSD	1.2401	+0.84	1.2424	USDEGP	16.1417	-0.07	GBPAED	4.5549	+0.83
USDJPY	107.93	+0.33	107.23	USDSAR	3.7510	-0.01	JPYAED	0.0340	-0.33
USDCAD	1.3576	-0.61	1.3575	USDQAR	3.6800	+1.06	CADAED	2.7056	+0.62
AUDUSD	0.6903	+0.54	0.6901	USDKWD	0.3078	+0.03	AUDAED	2.5357	+0.54
USDCHF	0.9473	-0.41	0.9367	USDBHD	0.3771	-0.01	CHFAED	3.8774	+0.41
EURGBP	0.9059	-0.89	0.9120	USDOMR	0.3850	--	TRYAED	0.5400	+0.78
USDAED	3.6730	+0.00	3.6798	USDINR	75.5087	-0.10	INRAED	0.0552	+13.53

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4371	0.7215	0.9557	1.3795	USD 2 yr	0.225	-0
USD LIBOR	0.1710	0.2961	0.3669	0.5559	USD 5 yr	0.326	+1
GBP LIBOR	0.0916	0.1316	0.2783	0.4574	USD 10 yr	0.639	+3
JPY LIBOR	-0.0770	-0.0458	-0.0158	0.1142	EUR 2 yr	-0.388	-1
CHF LIBOR	-0.7638	-0.6698	-0.6176	-0.4646	EUR 5 yr	-0.353	-0
					EUR 10 yr	-0.175	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1780.96	+0.46	ADGB 2.50 25	1.33	-3	Abu Dhabi	74	-3
Silver	18.21	+1.95	DUGB 3.89 25	1.71	-1	Bahrain	345	+1
Oil (WTI)	39.27	-1.08	QATAR 3.4 25	1.45	+3	Dubai	193	+3
Aluminium	1601.75	+0.77	US Tsy 2 yr	0.15	--	Oman	488	-2
Copper	6004.50	+0.89	US Tsy 10 yr	0.66	+3	Qatar	74	-3
						Saudi Arabia	107	-1

Source: Bloomberg, Emirates NBD Research

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