



بنك الإمارات دبي الوطني
Emirates NBD

Daily
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Daily Outlook

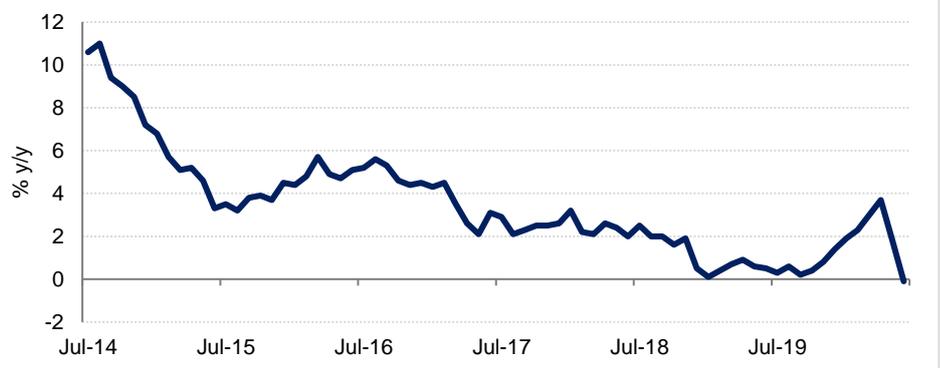
US ADP employment data showed a smaller than expected 2.37mn increase in private sector jobs in June, although the May reading was revised from -2.76mn to +3.06mn. The biggest gains were in services sectors including leisure & hospitality and health & social care. Construction saw almost 400k new jobs added in June. Growth in manufacturing jobs was modest even as the **ISM manufacturing index showed that activity recovered sharply in June**, with the index rising to 52.6 from 43.1 in May. The June **non-farm payrolls data is due today with the consensus expectation for 3.1mn new jobs added and a decline in the unemployment rate to 12.5%** from 13.3% in May. Employment data in the US has been subject to some misclassification of some “temporarily unemployed” people as “employed but absent from work” over the last couple of months, which likely understated the actual unemployment rate.

The minutes of the June FOMC meeting released last night suggests there is little appetite among policy makers for explicit yield curve targeting in the US, and that the Fed’s forward guidance should be sufficient in terms of communicating the Fed’s approach to monetary policy. More broadly, the FOMC remained concerned about downside risks to the nascent recovery until the pandemic was contained, and noted that social distancing, increased saving and lower levels of employment and income were likely to weigh on growth in the medium term, requiring “highly accommodative monetary policy” to be maintained for some time.

House prices in the UK fell by more than expected in June, declining -1.4% m/m and -0.1% y/y, according to Nationwide. This is the first annual decline in UK house prices since 2012. In Germany, unemployment increased by less than forecast in June, while the final PMI reading was slightly better than the flash estimate at 45.2.

Iraqi finance and deputy prime minister, Ali Allawi, has told Bloomberg that the country is in the midst of negotiations with the IMF for a new deal to a maximum value of USD 5bn. Allawi also revealed that Iraq was engaging in talks with Saudi Arabia regarding potential investment by the kingdom in its natural gas fields. A number of MENA countries have arranged new deals with the IMF since the coronavirus pandemic began. While other countries such as Egypt and Jordan have been hit hard by the fall in tourism, Iraq stands to suffer from lower oil prices and the OPEC-mandated production cuts which it is now obligated to adhere to more rigorously.

Nationwide UK house prices



Source: Bloomberg, Emirates NBD Research

Today’s Economic Data and Events

Event	Time	Value	Event	Time	Value
EC unemployment rate	13:00	7.7%	US non-farm payrolls	16:30	3.1mn
US unemployment rate	16:30	12.5%	US factory orders	18:00	8.7%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Minutes from the Federal Reserve's June meeting confirmed that the central bank discussed using yield caps to keep market rates lower over an extended period but that there wasn't an immediate need to use yield curve control. Rather the Fed seems more likely to link decisions about policy rates to explicit economic targets—such as inflation or the unemployment rate. Treasuries drifted lower as yields gained across the curve with the 2yr settling at 0.16% (up 1p) and the 10yr closing at 0.68% (almost a 2bps gain).

FX

The dollar continued to operate around the 97.400 region for the majority of Wednesday, with the DXY index eventually falling to 97.120 in the evening. Coronavirus cases in the U.S. continue to accelerate at an alarming rate and the FOMC minutes meeting for June reiterated the Fed's reluctance to employ negative policy rates, maintaining a level of 0% - 0.25%. USDJPY retreated from highs of 108.16 in the early hours of the session to trade at 107.50.

The euro experienced varied movement for the day, but has consolidated modest gains to trade at 1.1260 after the safe-haven dollar weakened. Sterling also benefited from the dollar's shortcomings, advancing in the evening to breach both the 50-day (1.2421) and 100-day (1.2462) moving averages at 1.2480, following up on the UK's end of quarter gains. The AUD and NZD both recorded modest gains to trade at 0.6915 and 0.6490, with the former reaching a weekly high before pulling back.

Equities

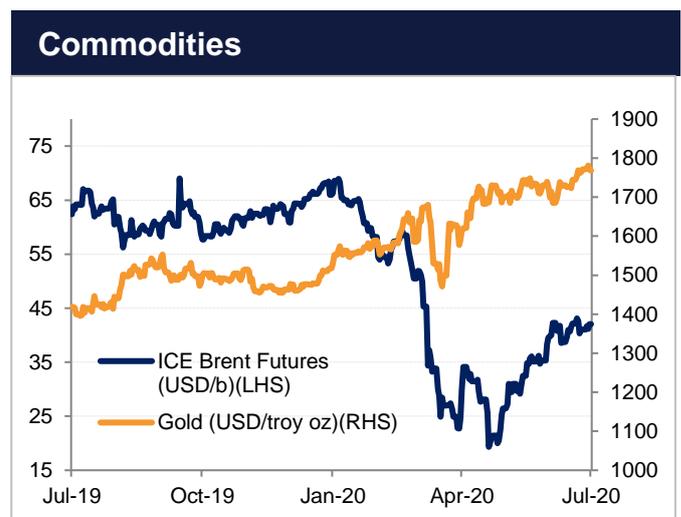
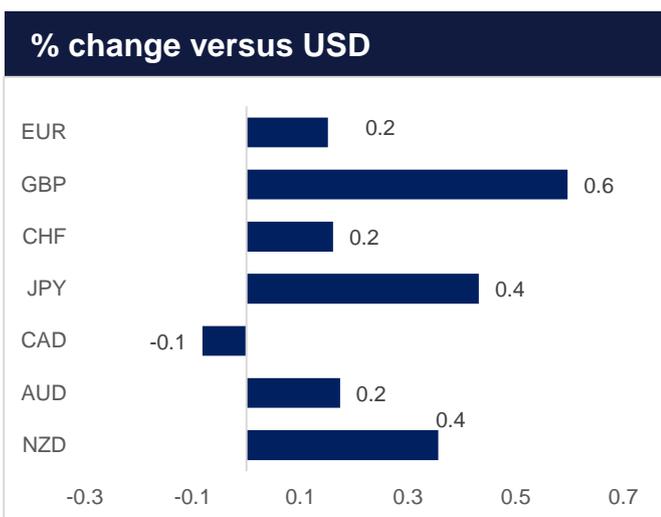
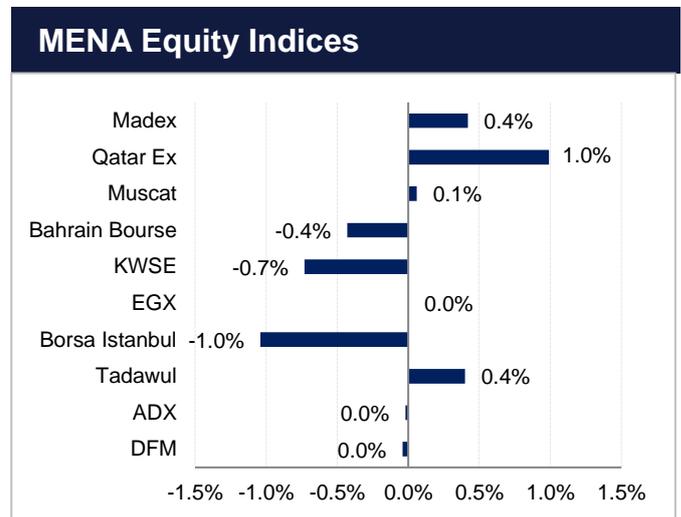
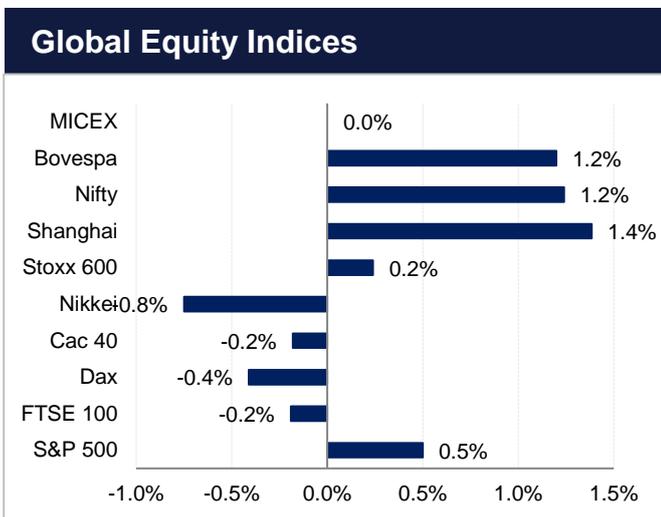
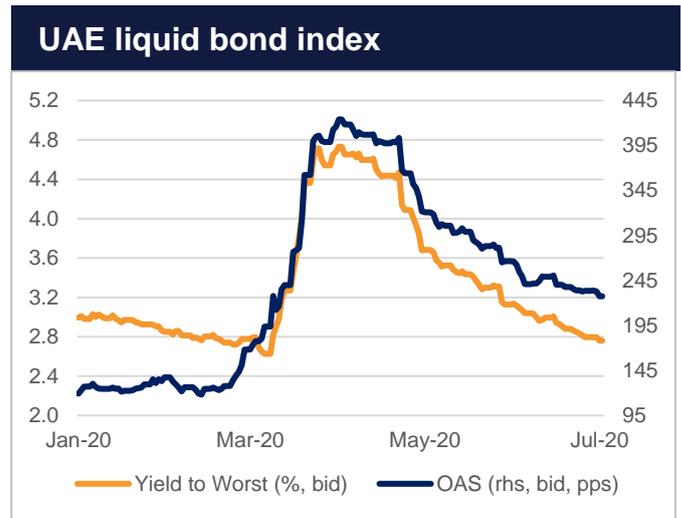
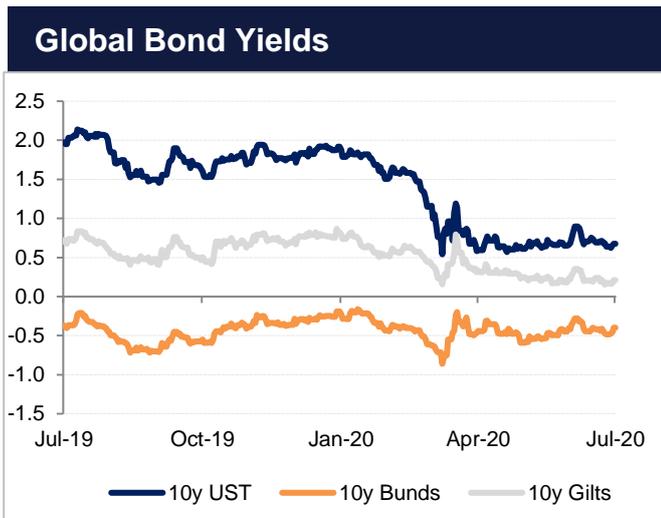
Equity markets were mixed to start the quarter. The S&P 500 managed to add 0.5% but European equities were broadly lower with the FTSE down 0.2% and the Dax off by 0.4%. Asian markets have got off a strong start today, however, with the Nikkei, Hang Seng and Shanghai all gaining. Local markets were flat with both the ADX and DFM closing marginally lower while the Tadawul gained 0.4%.

Commodities

Oil prices jumped to start the new quarter with Brent futures up by 2% to close at USD 42.03/b and WTI up 1.4% to settle at USD 39.82/b. Inventories in the US fell by 7.2m bbl last week although builds across much of the barrel meant that total petroleum stocks still increased by more than 1m bbl. Oil production in the US was flat at 11m b/d while product supplied fell almost 1m b/d, a sharp weekly drop.

Compliance with OPEC production cut targets improved in June with the aggregate level of compliance at over 100%. Saudi Arabia over delivered as expected, providing almost 140% of what it was expected to cut while the UAE and Kuwait both achieved around 100%. But there was significant improvement from Iraq and Nigeria, two countries singled out for failing to hit their targets in May. Iraq improved its compliance level to 70% from 42% a month earlier while Nigeria hit 77% compared with 47%.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1251	+0.15	1.1348	USDTRY	6.8483	-0.07	EURAED	4.1327	+0.16
GBPUSD	1.2475	+0.60	1.2498	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.5822	+0.60
USDJPY	107.47	-0.43	106.77	USDSAR	3.7509	-0.00	JPYAED	0.0342	+0.43
USDCAD	1.3587	+0.08	1.3586	USDQAR	3.6800	+1.05	CADAED	2.7032	-0.09
AUDUSD	0.6915	+0.17	0.6913	USDKWD	0.3078	--	AUDAED	2.5400	+0.17
USDCHF	0.9458	-0.16	0.9351	USDBHD	0.3771	--	CHFAED	3.8835	+0.16
EURGBP	0.9019	-0.44	0.9080	USDOMR	0.3850	--	TRYAED	0.5400	+0.75
USDAED	3.6730	--	3.6798	USDINR	75.5963	+0.12	INRAED	0.0552	+13.62

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.3882	0.6305	0.9501	1.3681	USD 2 yr	0.231	+1
USD LIBOR	0.1623	0.3020	0.3693	0.5458	USD 5 yr	0.345	+2
GBP LIBOR	0.0903	0.1409	0.2944	0.4286	USD 10 yr	0.656	+2
JPY LIBOR	-0.0792	-0.0472	-0.0168	0.1138	EUR 2 yr	-0.379	+1
CHF LIBOR	-0.7674	-0.6760	-0.6264	-0.4724	EUR 5 yr	-0.329	+2
					EUR 10 yr	-0.136	+4

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1770.09	-0.61	ADGB 2.50 25	1.24	-10	Abu Dhabi	69	-5
Silver	18.01	-1.07	DUGB 3.89 25	1.67	-4	Bahrain	351	+2
Oil (WTI)	39.82	+1.40	QATAR 3.4 25	1.34	-11	Dubai	195	+2
Aluminium	1600.00	-0.11	US Tsy 2 yr	0.16	+1	Oman	497	+9
Copper	6050.75	+0.77	US Tsy 10 yr	0.68	+2	Qatar	68	-6
						Saudi Arabia	96	-12

Source: Bloomberg, Emirates NBD Research

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