



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

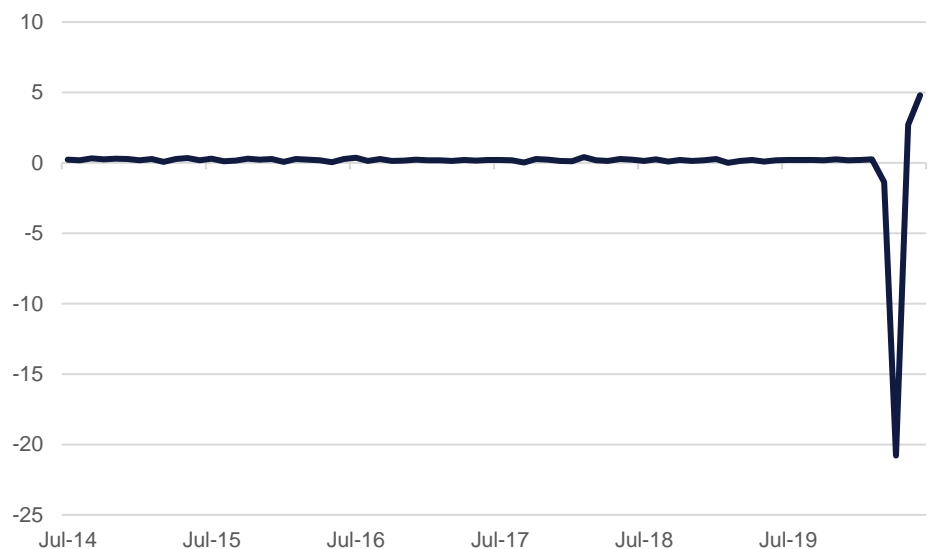
According to last week's non-farm payroll report, the US added 4.8mn new jobs in June, exceeding expectations of 3.2mn. Unemployment fell from 13.3% in May to 11.1%, and markets rallied. However, over 20mn jobs were lost in April, and with new coronavirus cases declining in only one state (Vermont) last week, there remain significant threats to the US recovery. Many sectors and firms continue to struggle, as evidenced by the 1.4mn new initial jobless claims filed last week.

In other positive indications of a recovery, the Caixin services PMI for China indicated a surge in activity in June, as the index climbed from 55 in May to 58.4. June's result far exceeded expectations of 53.2, and was the highest reading since August 2010.

The UAE unveiled a more slim-lined government on Sunday, after the Prime Minister first announced plans to restructure the government in May. Around half of federal agencies have been merged and many government service centres will be closed and replaced with digital platforms over the next two years. Key changes include the merging of the Ministries of Energy and Infrastructure under Suhail Al Mazrouei, and the appointment of ADNOC CEO Sultan Al Jaber as Minister of Industry and Advanced Technology, in addition to his role at ADNOC. The Economy Ministry has also been restructured under Abdullah Al Marri with new ministers of state for entrepreneurship & SMEs, and foreign trade. The government restructure should help to reduce costs as well improve efficiency and allow the government to be more agile in responding to new challenges.

CPI inflation in Turkey rose to 12.6% in June, exceeding expectations of 12.0%. This was up from 11.4% in May, and was the highest level since last August. The central bank surprised by keeping rates on hold for the first time in 10 meetings last month, and with price growth ticking higher we may have seen the limits of the rate-cutting cycle reached.

Net change US non-farm payrolls (mn m/m)



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

| | Time | Cons. | | Time | Cons. |
|---------------------------|-------|-------|----------------------------|-------|-------|
| Eurozone retail sales y/y | 13:00 | -6.5% | US ISM manufacturing index | 18:00 | 50.0 |

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Another—seemingly—strong jobs report in the US helped sink Treasuries briefly at the end of a holiday shortened week with yields on 10yr USTs moving back above 0.7% briefly on the data. However, by the end of trading Treasuries closed higher with yields across the curve modestly lower. Over the course of the week, however, yields on 10yr UST added almost 3bps while 2yr yields slipped by more than 1bp, widening the curve by 4bps.

EM bonds continued their march higher with the Bloomberg Barclays USD EM index gaining 0.5%, its ninth weekly gain in a row. Domestic UAE USD-denominated bonds extended their gains as well while spreads continued to tighten.

Fitch raised TAQA's credit rating to AA- from A on the assumption that the Abu Dhabi government would extend support and that the company would benefit from the integration of assets from Abu Dhabi Power Corp.

FX

Last week saw the dollar experience various ups and downs. Its DXY index, a measure of the dollar against a basket of its major competitors, rebounded from one-week lows of 96.810 reached on Thursday, but lacked follow-through and lost steam on Friday to close out at 97.153, marking a loss of -0.29% overall. USDJPY retreated from highs of 108.15 set on Wednesday, but still recorded modest gains of +0.27% to trade at 107.51. The currency pairing remains above the 50-day moving average (107.39) and a breach of the 100-day moving average (107.86) will be the next indicator to look out for.

The euro experienced some volatile movement, despite reaching a high of 1.1301 on Thursday, resistance here caused the currency to fizzle out on Friday and closed at 1.1247, up by around 0.26% over the week. Sterling rallied over the week to close at 1.2483, marking a move above the 100-day moving average (1.2456). Both the AUD and NZD rallied by 1.1% and +1.70% to reach 0.6941 and 0.6533 respectively.

Equities

Another bounce in the US labour market helped to push US equities higher at the end of a holiday-shortened week with the S&P 500 gaining 0.45% on Thursday while the NASDAQ and Dow also pushed higher. The exuberance wasn't on display earlier in Europe, however, as there were near universal declines across major markets. Asian equities have caught a strong big this morning with the Nikkei up 1.4%, the Hang Seng more than 2% and Shenzhen index rising more than 3%.

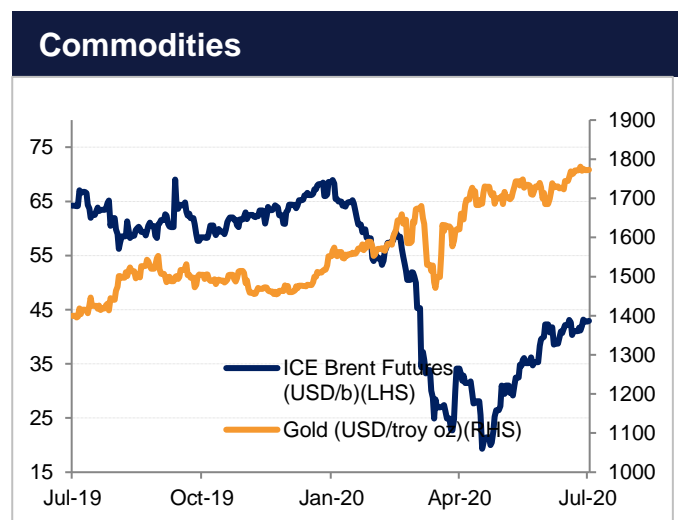
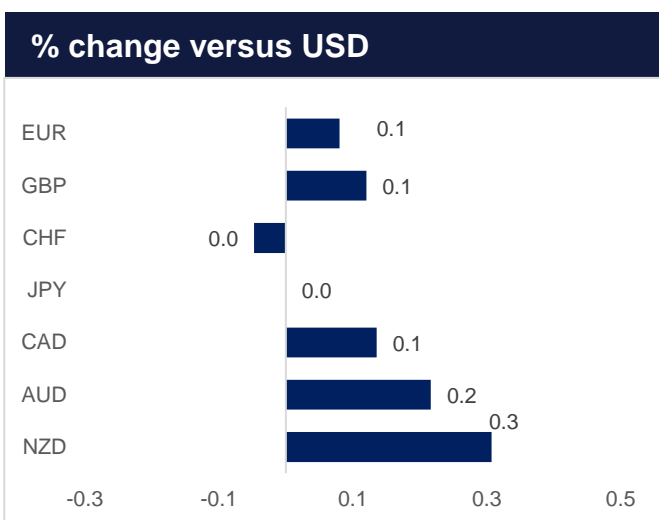
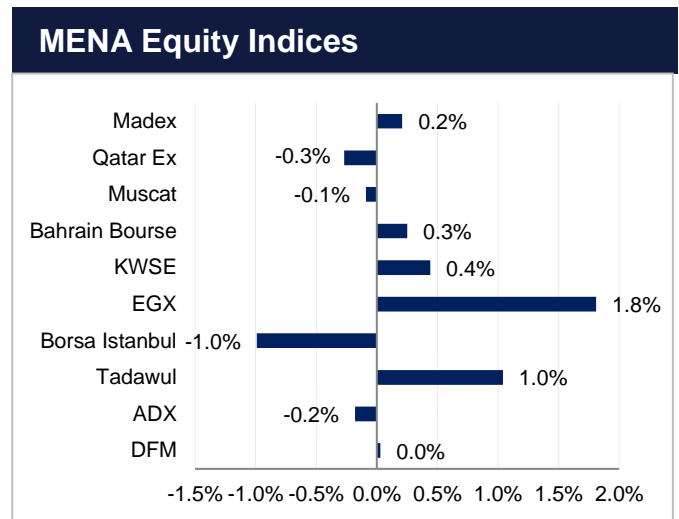
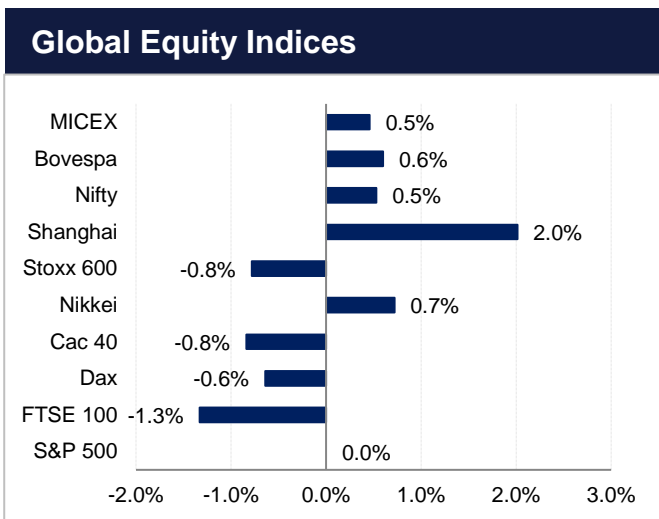
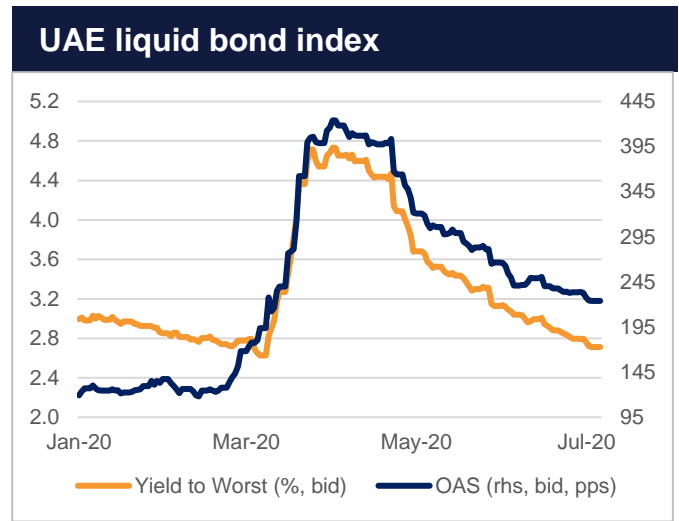
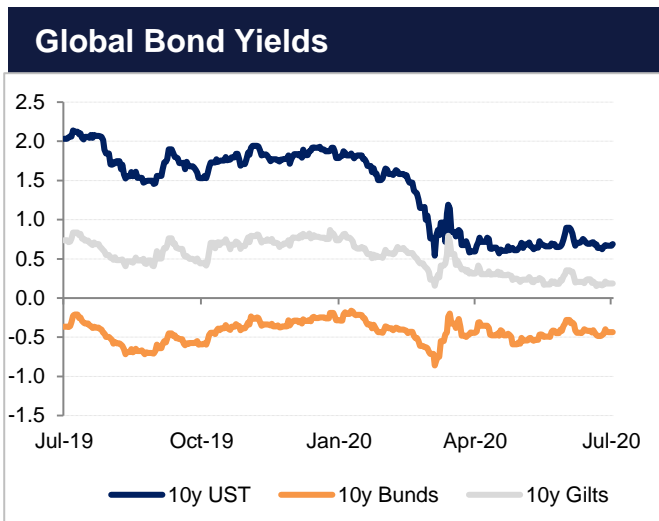
Regional markets were mixed to start the week with the Abu Dhabi exchange closing lower by 0.2% while the DFM was roughly flat. The Tadawul gained by 1%, the strongest showing across MENA.

Commodities

Oil prices managed to recoup their strength last week with both Brent and WTI futures rising despite persistent anxieties over the path of Covid-19 cases in the US. Brent settled up 4.3% at USD 42.80/b while WTI managed to close above USD 40/b, advancing 5.6% on a holiday-shortened week.

Markets this week will focus on the latest outlooks from the IEA and EIA where demand again will be in focus. The IEA has revised up its demand projections for 2020 in recent reports, albeit still expecting significant year/year declines. On the supply side, OPEC+ has effectively played its strongest card early with the production cut agreement reached in April and over the coming months it will begin to taper the scale of cuts. Meanwhile production in the US and other market-oriented producers continues to reel from low prices and weak solvency conditions in many companies. That leaves demand squarely in focus to determine the oil outlook in the rest of the year. With the global number of Covid-19 cases at over 11m—and the US nearing to 3m—we still have strong doubts about how healthily demand will perform over the next six months and if it will be able to chew through the enormous build-up in inventories.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

| | Close | %1D chg | 1 yr fwd | | Close | %1D chg | | Close | %1D chg |
|--------|--------|---------|----------|--------|----------|---------|--------|--------|---------|
| EURUSD | 1.1248 | +0.08 | 1.1345 | USDTRY | 6.8623 | +0.15 | EURAED | 4.1307 | +0.06 |
| GBPUSD | 1.2483 | +0.12 | 1.2507 | USDEGP | #N/A N/A | | GBPAED | 4.5846 | +0.11 |
| USDJPY | 107.51 | +0.01 | 106.82 | USDSAR | 3.7510 | -0.00 | JPYAED | 0.0342 | -0.01 |
| USDCAD | 1.3547 | -0.13 | 1.3545 | USDQAR | 3.6800 | +1.06 | CADAED | 2.7114 | +0.13 |
| AUDUSD | 0.6939 | +0.22 | 0.6937 | USDKWD | #N/A N/A | #VALUE! | AUDAED | 2.5493 | +0.19 |
| USDCHF | 0.9458 | +0.05 | 0.9352 | USDBHD | 0.3771 | -- | CHFAED | 3.8838 | -0.04 |
| EURGBP | 0.9013 | -0.02 | 0.9073 | USDOMR | 0.3850 | -- | TRYAED | 0.5300 | -1.13 |
| USDAED | 3.6730 | -- | 3.6796 | USDINR | 74.6488 | -0.48 | INRAED | 0.0552 | +12.33 |

Rates

| Interbank | 1 mo | 3mo | 6 mo | 1 yr | Swaps | Close | 1D chg (bps) |
|-----------|---------|---------|---------|---------|-----------|--------|--------------|
| EIBOR | 0.3882 | 0.6337 | 0.9263 | 1.0387 | USD 2 yr | 0.220 | -1 |
| USD LIBOR | 0.1626 | 0.2759 | 0.3663 | 0.5056 | USD 5 yr | 0.332 | -- |
| GBP LIBOR | 0.0753 | 0.1120 | 0.3048 | 0.4216 | USD 10 yr | 0.649 | -- |
| JPY LIBOR | -0.0773 | -0.0472 | -0.0227 | 0.1080 | EUR 2 yr | -0.390 | -0 |
| CHF LIBOR | -0.7804 | -0.6802 | -0.6374 | -0.4802 | EUR 5 yr | -0.347 | +0 |
| | | | | | EUR 10 yr | -0.159 | +0 |

Commodities & Fixed Income

| Commodities | Close | %1D chg | Bonds/Sukuk | YTM | 1D chg (bps) | CDS | Close | 1D chg (bps) |
|-------------|---------|---------|--------------|------|--------------|--------------|-------|--------------|
| Gold | 1772.05 | -0.19 | ADGB 2.50 25 | 1.15 | +1 | Abu Dhabi | 64 | -- |
| Silver | 18.02 | +0.33 | DUGB 3.89 25 | #N/A | #VALUE! | Bahrain | 343 | -6 |
| Oil (WTI) | #N/A | | QATAR 3.4 25 | 1.31 | +4 | Dubai | 190 | -3 |
| Aluminium | 1582.75 | -1.28 | US Tsy 2 yr | 0.15 | -- | Oman | 487 | -2 |
| Copper | 6023.50 | -0.78 | US Tsy 10 yr | 0.67 | -- | Qatar | 64 | -- |
| | | | | | | Saudi Arabia | 91 | -- |

Source: Bloomberg, Emirates NBD Research

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