



بنك الإمارات دبي الوطني
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Daily Outlook

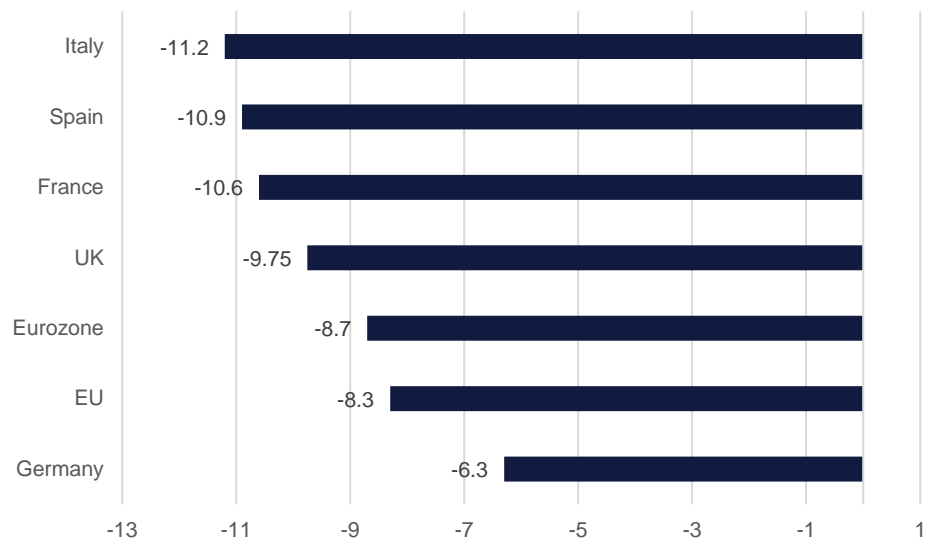
The European Commission (EC) has published new economic forecasts for EU states, which are almost universally downgraded from the previous outlook. For the EU 27 as a bloc, the EC forecasts a contraction of -8.3%, rebounding by 5.8% next year. This compares to a forecast of -7.4% in May. France, Italy and Spain are forecast at -10.6%, -10.9% and -11.2% this year, while Germany's 2020 outlook saw a minor improvement, from -6.5% to -6.3%. The EC still produces forecasts for the UK, which it projects to shrink by 9.8%, and grow 6.0% next year – although that projection is predicated on there being a 'status quo' on the trading relationship, and UK premier Boris Johnson has reportedly told German Chancellor Angela Merkel that the UK is prepared to go without a deal if there is no further compromise by the EU.

The JOLTS job openings data from the US yesterday substantially beat expectations, hitting 5.4m in May, as opposed to consensus of 4.5m. This was up from 5.0m in April. The number of available positions was mostly bolstered by jobs in accommodation and food services, although jobs offered to workers returning from layoff are not included in the tally. While the upside surprise was positive, there were 23m people unemployed in the US in May, and there remained 17.8m in June. In other US news, the US has begun its formal withdraw from the WHO, a potential setback for multilateralism in all spheres.

The UAE ministry of finance reported federal government spending of AED 11.4bn in Q1 2020, and a first quarter surplus of AED 1.8bn. The federal government budget for this year is AED 61bn, around 15% of the consolidated UAE budget. Consolidated budget data for Q1 2020 is not yet available. Meanwhile, in Saudi Arabia the unemployment rate for Saudi nationals declined to 11.8% in Q1 2020, down from 12% in Q4 2019. The impact of the coronavirus on employment in the kingdom will likely show up in Q2 data, with expatriates likely to be most affected by job losses.

In a positive step forward in its crucial reform programme, Lebanon has named six new people to the board of loss-making electricity parastatal Electricite du Liban. The power firm has been a major drain on Lebanon's fiscal resources for years, accounting for around a third of outlay.

European Commission real GDP growth forecasts (% y/y)



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
US MBA mortgage applications	15:00	-1.8%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

A pause in the risk-asset rally helped to push Treasuries higher across the curve. Yields on the 2yr note were flat overnight while 10yr yields fell almost 4bps. The Federal Reserve's vice chair, Richard Clarida, said the Fed was prepared to do more to support the economy, likely in the form of stronger forward guidance while the president of the Cleveland Fed, Loretta Mester, stressed again the need for fiscal policy to support monetary in helping the recovery gain a foothold.

EM bond markets drifted overnight with little catalyst for a move one way or the other. Indonesia's central bank has taken the step of directly financing the government as the country battles a substantial number of coronavirus cases. So far the measures appear to be weighing more on the rupiah than on Indonesia's sovereign rating.

FX

The dollar started Tuesday in positive fashion but lost nearly all of its momentum in the afternoon. Its DXY index trades at 96.930 which is still a slight increase on Monday's closing price of 96.725, but has failed to move upwards with any real drive. USDJPY experienced similar movement, reaching highs of 107.79, but was met with resistance and currently trades at 107.60, just a touch above the 50-day moving average (107.42).

The euro experienced a slight decline, hovering around the 1.1280 region. German industrial output recorded worse than expected results, increasing by 7.8% rather than the predicted 11.1%. Sterling surged in the evening following the announcement that chief EU negotiator Michel Barnier will meet his U.K. counterpart David Frost in London. The currency increased by over 0.50% to trade at 1.2560. The AUD and NZD both experienced varied movement, but have consolidated minor declines in the early hours of this morning to trade at 0.6945 and 0.6540 respectively.

Equities

Equity markets closed in the red overnight as investors took a pause after recent gains. The S&P 500 fell 1.1% while the FTSE was off by 1.5% and the Dax down nearly 1%. Asian markets are mixed in early trade with the Nikkei and Australian markets lower while the Hang Seng and Shenzhen are both higher despite more risks to Hong Kong's financial autonomy as the US seeks to sanction China for its new public security laws.

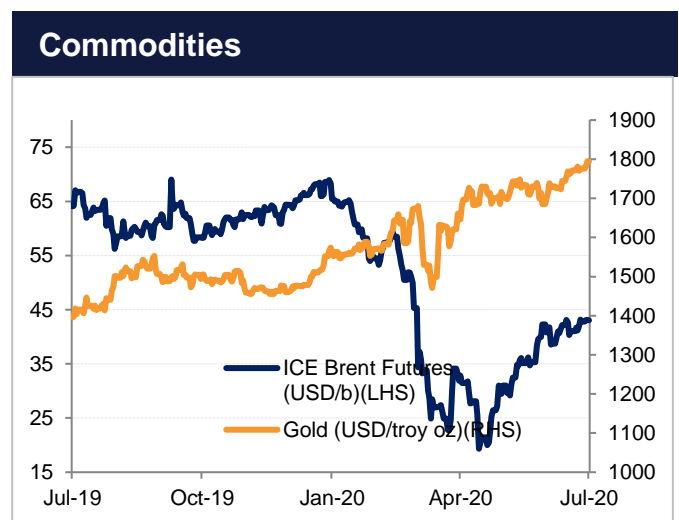
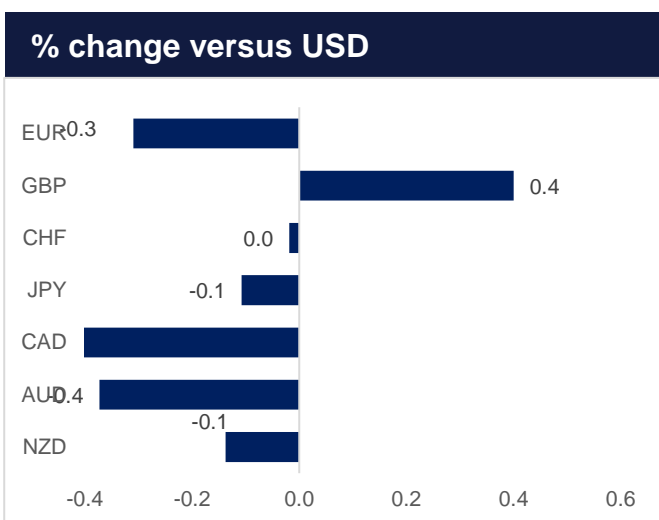
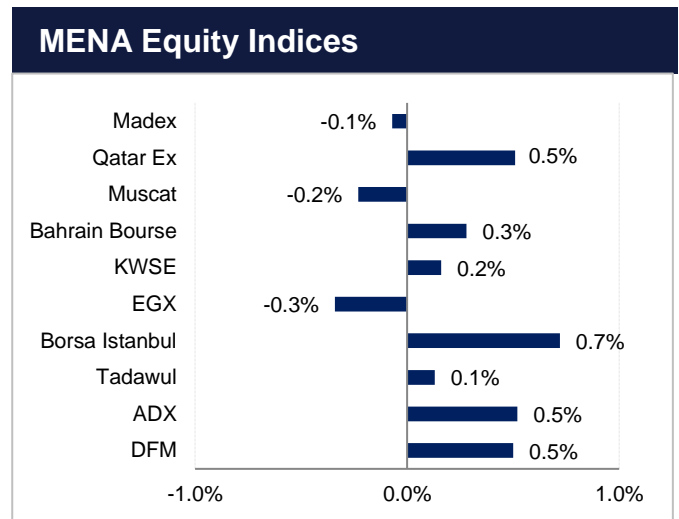
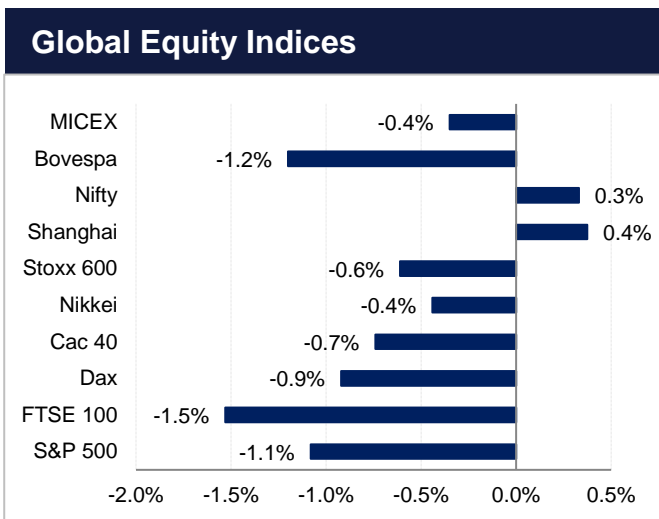
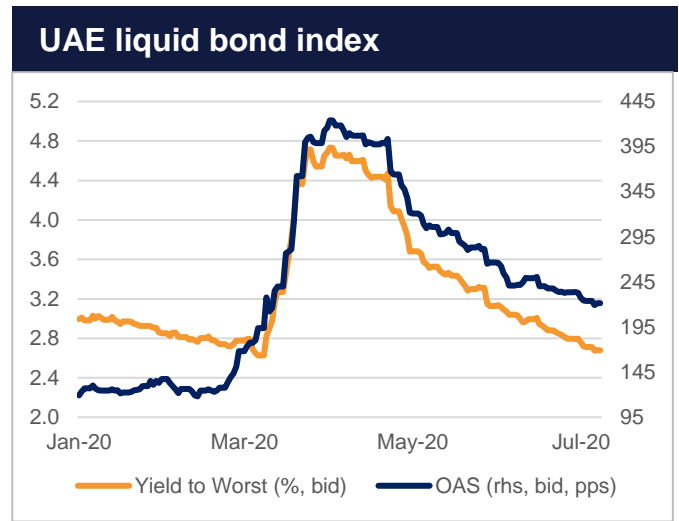
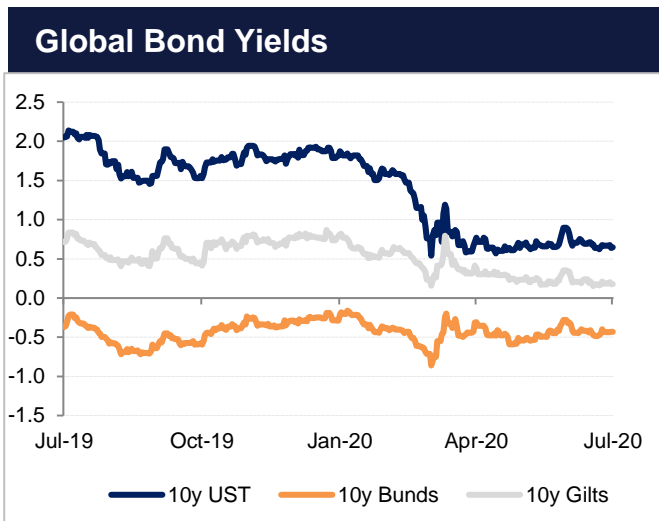
Regional markets closed higher with the DFM and ADX both up by around 0.5% and the Tadawul gaining 0.1%.

Commodities

Oil prices closed little changed with Brent holding around USD 43/b and WTI a little below USD 41/b. API data showed a build of 2.1m bbl in US crude inventories last week with EIA data out later tonight.

The EIA moderated its expectation for how much oil production in the US would decline y/y in 2020, expecting a drop of 590k b/d in its latest Short-Term Energy Outlook, compared with 660k b/d previously. It also sees a smaller drop in 2021 on a y/y basis.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1274	-0.31	1.1370	USDTRY	6.8588	-0.04	EURAED	4.1411	-0.30
GBPUSD	1.2542	+0.40	1.2566	USDEGP	16.0482		GBPAED	4.6075	+0.41
USDJPY	107.52	+0.16	106.83	USDSAR	3.7510	--	JPYAED	0.0342	-0.11
USDCAD	1.3603	+0.47	1.3600	USDQAR	3.6800	+1.07	CADAED	2.6999	-0.48
AUDUSD	0.6947	-0.37	0.6947	USDKWD	0.3075	-0.05	AUDAED	2.5515	-0.38
USDCHF	0.9424	+0.02	0.9319	USDBHD	0.3771	--	CHFAED	3.8974	-0.02
EURGBP	0.8989	-0.70	0.9049	USDOMR	0.3850	-0.00	TRYAED	0.5400	+0.88
USDAED	3.6730	--	3.6796	USDINR	74.9362	+0.34	INRAED	0.0552	+12.18

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.4057	0.7109	0.9819	1.3106	USD 2 yr	0.218	-1
USD LIBOR	0.1659	0.2765	0.3643	0.5156	USD 5 yr	0.315	-2
GBP LIBOR	0.0760	0.1066	0.2813	0.4180	USD 10 yr	0.611	-4
JPY LIBOR	-0.0755	-0.0472	-0.0263	0.1073	EUR 2 yr	-0.380	+0
CHF LIBOR	-0.7714	-0.6838	-0.6394	-0.4798	EUR 5 yr	-0.340	+1
					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	1794.86	+0.57	ADGB 2.50 25	1.18	+1	Abu Dhabi	63	+1
Silver	18.27	-0.00	DUGB 3.89 25	1.56	-0	Bahrain	336	-1
Oil (WTI)	40.62	-0.02	QATAR 3.4 25	1.22	+6	Dubai	186	-1
Aluminium	1600.75	-0.03	US Tsy 2 yr	0.16	+0	Oman	478	-19
Copper	6184.75	+0.81	US Tsy 10 yr	0.64	-4	Qatar	59	-1
						Saudi Arabia	96	+3

Source: Bloomberg, Emirates NBD Research

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