



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

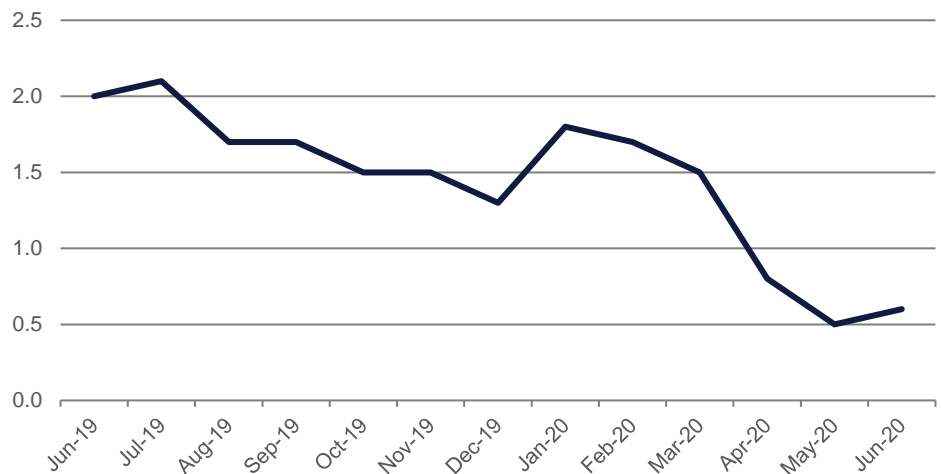
# Daily Outlook

Data from China's National Bureau of Statistics showed China's economy expanded 3.2% in Q2 (y/y), making it the first major economy in the world to report a bounceback from the coronavirus-induced slump in Q1. The growth followed a 6.8% slump in the first quarter, which marked the first contraction since 1992 when quarterly gross domestic product (GDP) records began. For the first six months of the year the economy contracted 1.6%. On a quarter-on-quarter basis, GDP rose 11.5% in April-June, compared with a 9.8% (q/q) decline in the previous quarter. However, June data showed there are still signs of weakness in China's economy. Retail sales fell 1.8% y/y, below market expectations for an increase, while fixed asset investment still remains negative y/y.

Figures from the Office for National Statistics (ONS) showed the UK's consumer price inflation increased to 0.6% in June from 0.5% in May. The ONS said 67 items used to compile the CPI were unavailable to consumers in June, or nearly 17% of the basket, because of the effects of the lockdown. Core inflation rose to 1.4% from May's 1.2%. Surprisingly prices for in-demand computer consoles was a key driver fueling the rise, possibly as lockdown consumers turned to home entertainment options. While clothing and footwear prices almost held steady in June, with retailers possibly cutting prices earlier than usual to clear goods during the lockdown.

The Bank of Canada held rates at 0.25% on Wednesday. The Bank slashed rates three times in March to 0.25% and launched its first-ever large-scale asset purchase program. The central bank sees a long, slow recovery saying Canada's economic activity will not return to pre-pandemic levels until 2022. The bank also said interest rates will remain low for an extended period, and will keep its quantitative easing programs in place until that recovery is "well under way.". It expects Canada's GDP to fall by 7.8% in 2020, then rise 5.1% 2021, reaching pre-pandemic levels in early 2022. The BOC says its central scenario now sees Canadian oil production on a "considerably lower path than before the Covid-19 crisis," on the back of low prices and reduced demand.

## UK inflation remains near bottom



Source: ONS, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons.		Time	Cons.
UK Claimant Count Change Jun	10:00	250K	ECB Interest Rate Decision	15.45	0.00
US Initial Jobless Claims	16:30	1250K	US Retail Sales (m/m) June	16:30	5.0%

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Benchmark bond markets endured another day of listless trading with the UST curve showing little conviction in intra-day moves higher. Yields on the 2yr UST slipped marginally while those on the 10yr were up slightly, settling at 0.63% despite having pushed almost as high as 0.66% during the day. European markets were mixed with 10yr gilt yields ending the day up more than 1bp while bunds were more or less unchanged.

Fed governors are softening their tone on the economic recovery underway in the US, abetted by muted indicators from the Fed's Beige Book. Philadelphia Fed president Patrick Harker explicitly said the Fed should wait for inflation to move above its 2% target rate before considering raising rates. Annual inflation in the US hit 0.6% in June, well short of the Fed's target level. A surplus of labour and capital is likely to keep pricing pressure under control in the near term.

EM bonds gained further overnight, helped by a positive market response to the OPEC+ decision to increase output gradually and in line with what it views as improving demand.

## FX

The dollar continued to move tentatively on Wednesday. The DXY index declined by just over -0.15% to trade around 96.130, very close to June's low of 95.700. Manufacturing and industrial production data out of the US was better than expected, but this was not enough to force a significant rebound for the currency which remains under heavy pressure. USDJPY fell overnight and is hovering around the 107.00 handle.

The euro has remained steady above the 1.1400 region,, reaching highs of 1.1452 in the afternoon. The currency was met with resistance at this level however, reversing almost all of these gains to trade at 1.1405. Sterling rallied to highs of 1.2650 for the day, but has retreated from this figure rapidly and has consolidated modest gains, currently trading at 1.2555. Positive inflation data out of the UK was not enough for the pound to hold onto higher levels. Similarly the AUD advanced moderately, currently hovering around 0.6990 whilst the NZD trades at 0.6560.

## Equities

Optimism around the delivery of a coronavirus vaccine helped international equities overnight with the S&P 500 adding an additional 0.9% with the Dow and NASDAQ also gaining. European markets were up strongly, catching up with US equities. However, Asian markets are off this morning as investors balanced a recovery in China's Q2 GDP print with softer than expected retail sales for June.

Local markets endured another day of losses with the DFM down 0.2% and the ADX off by 1.6%. Major banks in Abu Dhabi were the principal contributor to the decline. The Tadawul closed up 0.5%.

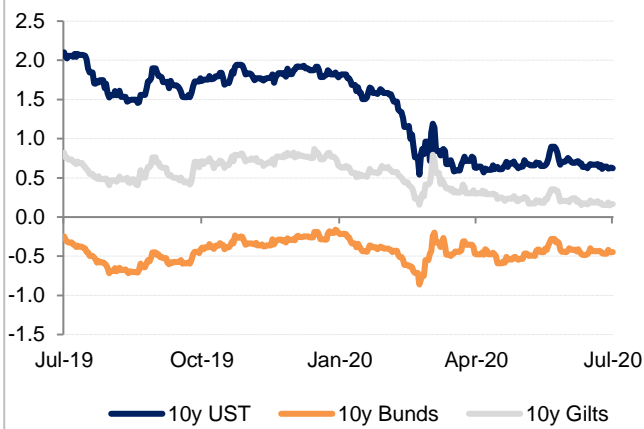
## Commodities

Oil markets gained overnight as OPEC+ confirmed it would go ahead with raising output in August although the increase would be tempered by more production restraint among members that failed to hit targets earlier. Brent futures gained 2.1% to settle at USD 43.79/b while WTI was up 2.3%, closing at USD 41.20/b. Saudi Arabia's energy minister, Prince Abdulaziz bin Salman, said that OPEC+ would only consider revising output lower if emergency lockdowns need to be re-imposed.

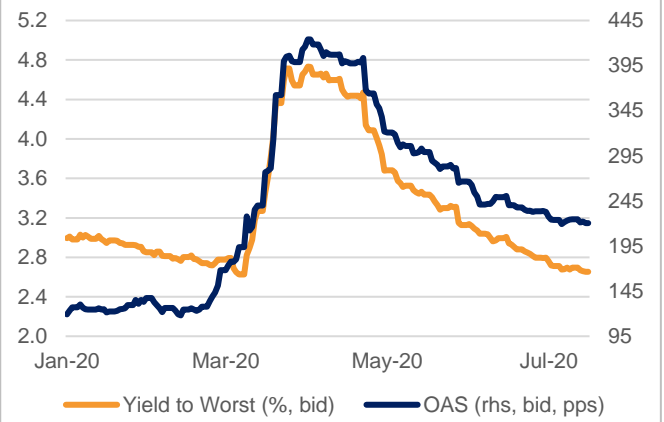
Prices were also supported by a sizeable draw in crude stocks of 7.5m bbl last week, along with draws across much of the rest of the barrel. Total petroleum stocks fell by 9.3m bbl, their first weekly decline since early May and only second drop since mid-March. Oil production in the US was little changed while product supplied moved higher with jet demand seeing a 345k b/d increase and moving back above 1m b/d for the first time since March.

## Markets in Charts

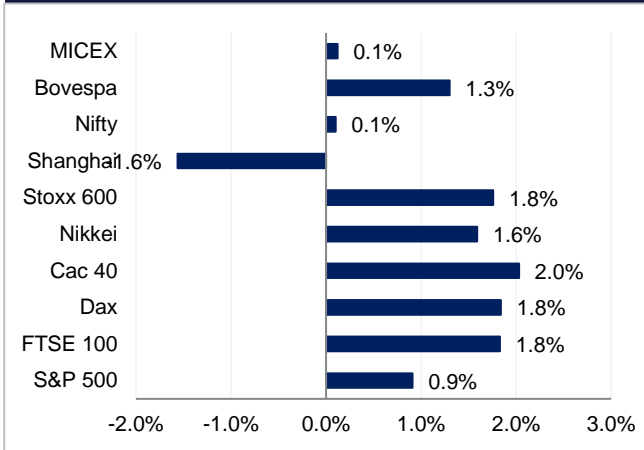
### Global Bond Yields



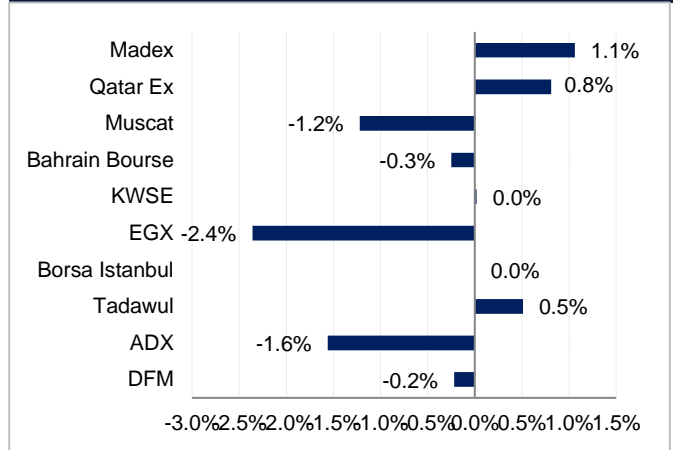
### UAE liquid bond index



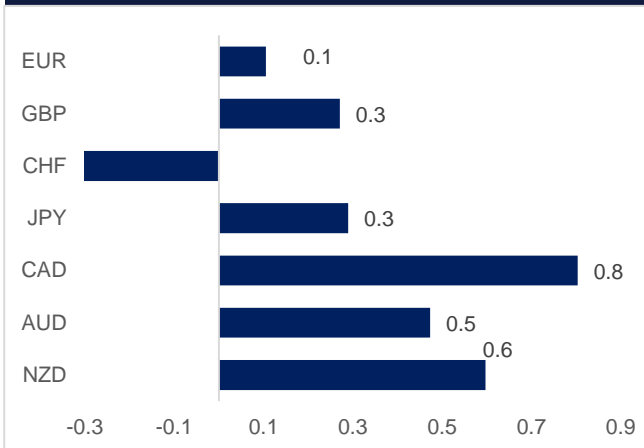
### Global Equity Indices



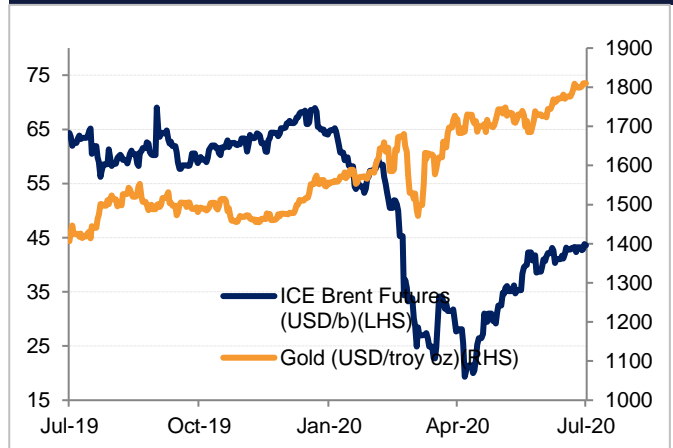
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1412	+0.11	1.1507	USDTRY	6.8565	-0.13	EURAED	4.1915	+0.10
GBPUSD	1.2587	+0.27	1.2612	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.6234	+0.27
USDJPY	106.94	-0.28	106.27	USDSAR	3.7508	-0.00	JPYAED	0.0344	+0.29
USDCAD	1.3509	-0.78	1.3506	USDQAR	3.6800	+1.06	CADAED	2.7190	+0.79
AUDUSD	0.7008	+0.47	0.7007	USDKWD	0.3072	-0.03	AUDAED	2.5741	+0.47
USDCHF	0.9443	+0.46	0.9339	USDBHD	0.3771	+0.00	CHFAED	3.8895	-0.46
EURGBP	0.9066	-0.17	0.9122	USDOMR	0.3850	--	TRYAED	0.5400	+0.93
USDAED	3.6730	--	3.6788	USDINR	75.1500	-0.37	INRAED	0.0552	+13.28

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.3387	0.5900	0.6767	1.3273	USD 2 yr	0.227	+0
USD LIBOR	0.1766	0.2709	0.3414	0.4810	USD 5 yr	0.326	+0
GBP LIBOR	0.0713	0.0800	0.2203	0.3678	USD 10 yr	0.611	+1
JPY LIBOR	-0.0742	-0.0465	-0.0287	0.1057	EUR 2 yr	-0.381	-1
CHF LIBOR	-0.7730	-0.6892	-0.6432	-0.5134	EUR 5 yr	-0.350	-1
					EUR 10 yr	-0.185	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1810.29	+0.05	ADGB 2.50 25	1.15	-0	Abu Dhabi	60	-3
Silver	19.42	+1.04	DUGB 3.89 25	1.52	-2	Bahrain	350	+3
Oil (WTI)	41.20	+2.26	QATAR 3.4 25	1.24	+0	Dubai	194	+3
Aluminium	1648.75	-0.32	US Tsy 2 yr	0.16	-0	Oman	477	--
Copper	6378.75	-1.80	US Tsy 10 yr	0.63	+1	Qatar	58	-2
						Saudi Arabia	99	-2

Source: Bloomberg, Emirates NBD Research

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