



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

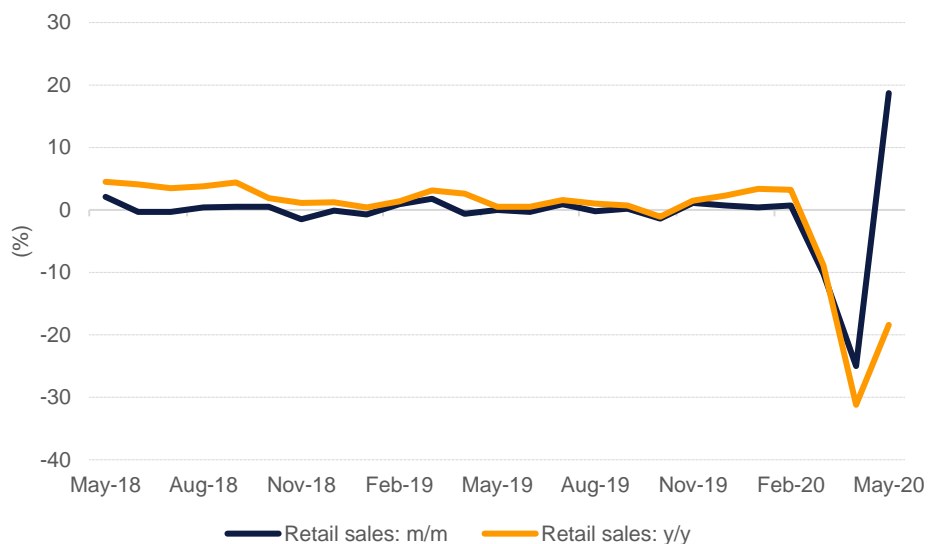
Markets were largely moving on policy news overnight as data flow was minimal. European assets received a boost as markets digested the impact of the EUR 750bn EU support package agreed yesterday while in the US political haggling over the next round of fiscal stimulus, and indeed whether it will actually occur, acted had a dampening effect. Republicans are proposing a new stimulus bill worth up to USD 1trn but are balking at a request from President Trump to include a payroll tax cut. The additional unemployment benefit of USD 600/week will expire at the end of July, potentially leaving out-of-work Americans further out of pocket if a replacement is not reached in time.

Oman will impose a nationwide curfew over the Eid holidays (25 July to 8 August) to contain the spread of the coronavirus. The curfew will be in place from 7pm to 6am. Travel between provinces in Oman will also be banned. Oman has reported over 1,000 new cases of Covid-19 per day in recent days. Separately, Oman's advisory Shura Council has proposed that VAT should only be introduced if growth in the country exceeds 3%, and that low wage earners should be exempt from the tax, according to Reuters. Oman had indicated VAT would come into effect next year.

Japan's manufacturing PMI rose for July, moving to 42.6 from below 40 a month earlier. However, the services PMI essentially stayed flat as worries over a recurrence of Covid-19 likely weighs on consumers and firms in the country.

Retail sales in Canada jumped by 19% m/m in May and were on track for a more than 20% gain in June as consumers exited lockdowns and satisfied pent up demand. Consumption is now back to pre-pandemic levels of spending. Like other major economies Canada extended support payments to furloughed workers but at some point they will expire and could risk another slump in activity if Covid-19 cases escalate. Canada has around 112,000 cases and there has been a rise in the number of daily cases over the past few weeks.

Canadian retail sales bounce in May



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
CA CPI y/y	16:30	0.2%	US existing home sales	18:00	4.7m

Source: Bloomberg, Emirates NBD Research.

Fixed Income

A looming fiscal standoff and President Trump's warning that the effects of coronavirus will get worse helped to push Treasuries higher along with other risk havens. Yields on the 2yr UST fell by slightly less than 1bp to close at 0.1411% while the 10yr yield has moved to a .60% handle for the first time since April. European markets were mixed with Italian bonds getting a boost from the EU rescue package and seeing yields decline by 1bp while French and Germany yields were marginally higher.

FX

Following the news that EU leaders reached an agreement on a coronavirus stimulus package, risk-sensitive currencies advanced on improved global investor sentiment. The euro is trading at 1.1545, its highest point in over a year amid increasing pressure on the dollar. Sterling jumped to 1.2730, a six-week high for the currency, above the 200-day moving average of 1.2704, as well as the 61.8% one-year fibonacci retracement of 1.2711. Similarly the AUD rallied over 1.76% to 0.7140, its highest point in over a year whilst the NZD is trading at 0.6640, its highest level since January.

Meanwhile the dollar extended its losses. It was a particularly bad session for the currency, with the DXY index falling over -0.75% to trade at 95.095, its lowest point since March. A test of that month's historic lows of 94.650 is in sight. USDJPY declined by over -0.50% and is hovering around the 106.70 region.

Equities

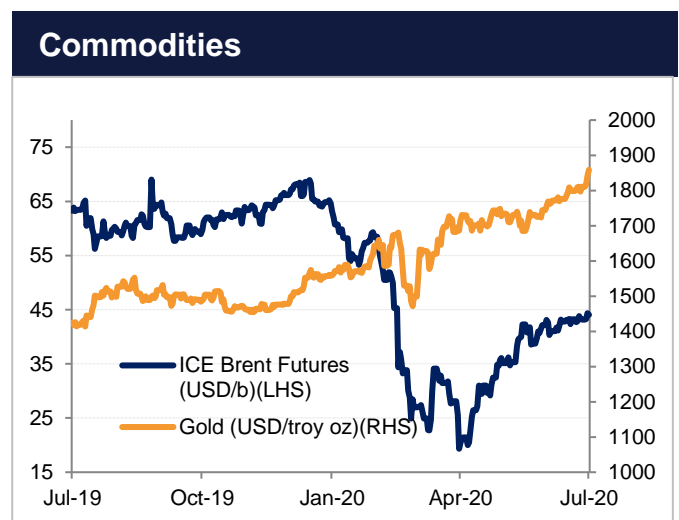
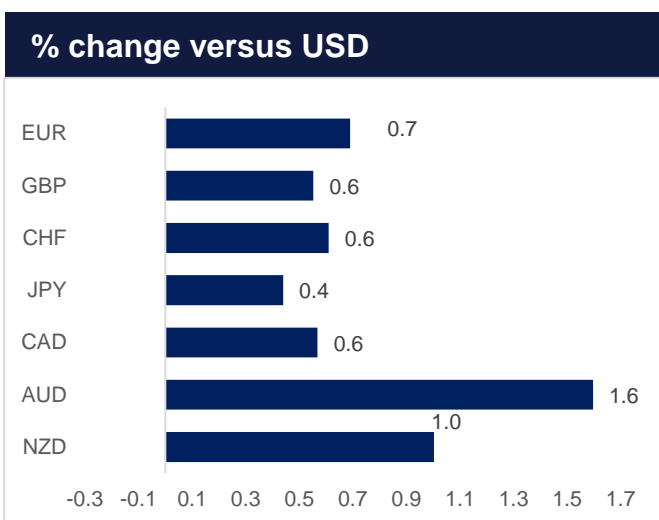
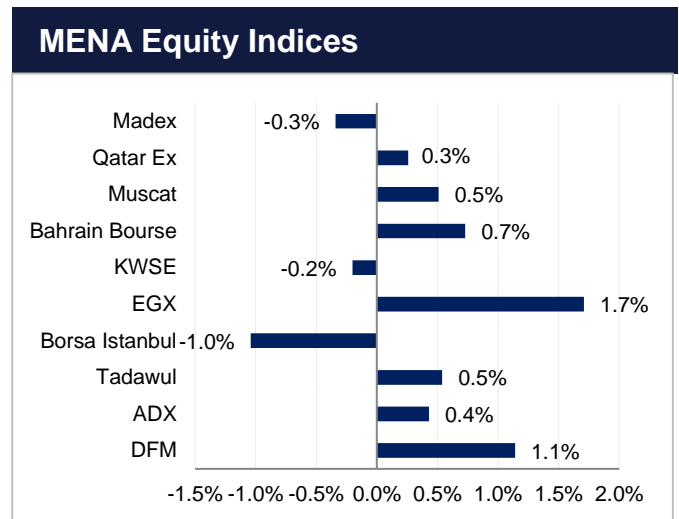
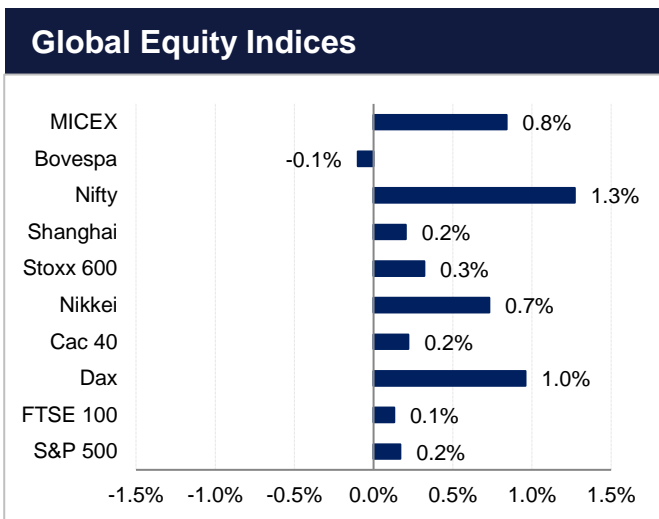
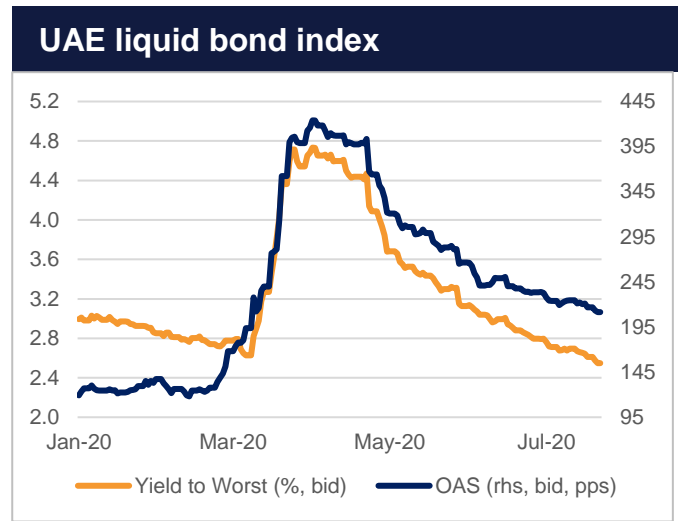
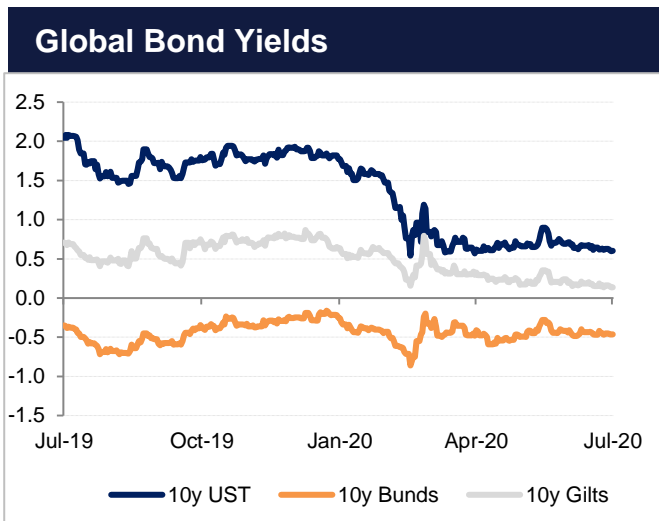
European equities benefitted further from positivity surrounding the new stimulus deal agreed by the EU yesterday, closing at their highest level since before the pandemic fallout began in March. The DAX gained 1.0%, and was briefly up ytd, before losing some momentum towards the close to end up down 0.6% on the year so far. The CAC gained 0.2% and the FTSE 100 0.1%.

The positivity and risk-on sentiment was fairly widespread globally, as the S&P 500 pushed further into positive ytd territory after crossing the previous day, gaining 0.2% - although this was down on highs reached earlier in the trading session, after Mitch McConnell poured cold water on the prospect of a new stimulus deal being agreed before the cliff edge for benefit payments is reached. The Dow rose 0.6%. Asian markets are also climbing higher today, with the Shanghai Composite up 1.1% in early trading while in the region the DFM and Tadawul closed 1.1% and 0.5% higher respectively.

Commodities

Oil prices moved higher overnight, likely supported by the positivity around the EU support deal even as oil market dynamics are looking weaker in the short term. Brent added 2.4% to close at USD 44.32/b while WTI was up almost 3% at just shy of USD 42/b. Data from the API, however, showed the inventories rose by more than 7.5m bbl last week while flooding in China is cutting back on refinery demand and forcing processors to send gasoline out of the country into already amply supplied markets.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1527	+0.69	1.1621	USDTRY	6.8236	-0.50	EURAED	4.2338	+0.69
GBPUSD	1.2731	+0.55	1.2756	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.6765	+0.56
USDJPY	106.80	-0.44	106.17	USDSAR	3.7505	+0.00	JPYAED	0.0344	+0.44
USDCAD	1.3459	-0.56	1.3457	USDQAR	3.6800	+1.07	CADAED	2.7292	+0.57
AUDUSD	0.7128	+1.60	0.7128	USDKWD	0.3071	--	AUDAED	2.6186	+1.61
USDCHF	0.9332	-0.61	0.9231	USDBHD	0.3771	--	CHFAED	3.9360	+0.61
EURGBP	0.9055	+0.14	0.9110	USDOMR	0.3850	--	TRYAED	0.5400	+0.83
USDAED	3.6730	--	3.6783	USDINR	74.7450	-0.23	INRAED	0.0552	+12.40

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.3115	0.6233	0.8568	1.0360	USD 2 yr	0.212	-1
USD LIBOR	0.1756	0.2578	0.3428	0.4685	USD 5 yr	0.304	-1
GBP LIBOR	0.0650	0.0760	0.1839	0.3245	USD 10 yr	0.587	-0
JPY LIBOR	-0.0688	-0.0440	-0.0275	0.1032	EUR 2 yr	-0.399	-1
CHF LIBOR	-0.7760	-0.6940	-0.6508	-0.5216	EUR 5 yr	-0.374	-1
					EUR 10 yr	-0.205	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1841.91	+1.33	ADGB 2.50 25	1.09	-4	Abu Dhabi	55	-5
Silver	21.30	+7.01	DUGB 3.89 25	1.42	-3	Bahrain	350	+1
Oil (WTI)	41.96	+2.82	QATAR 3.4 25	1.18	-4	Dubai	190	-2
Aluminium	1660.25	+2.01	US Tsy 2 yr	0.14	-1	Oman	480	-9
Copper	6544.45	+0.77	US Tsy 10 yr	0.60	-1	Qatar	53	-4
						Saudi Arabia	93	-7

Source: Bloomberg, Emirates NBD Research

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