



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

**President Xi of China and the Crown Prince of Abu Dhabi, Sheikh Mohamed bin Zayed, signed 16 agreements yesterday in the fields of economy, oil and environment which look set to further deepen the growing relationship between the UAE and China.** Among the agreements was a deal signed between Emaar Properties with Beijing Daxing International Airport to implement an USD11 billion project that includes residential and leisure facilities. Abu Dhabi National Oil Company (Adnoc) also signed a strategic agreement with state-owned China National Offshore Oil Corporation to explore collaboration upstream as well as downstream.

**The bipartisan agreement to suspend the USD22 trillion US debt ceiling removes one of the big concerns to markets as the end of the month comes approaches.** Technically the US Treasury appeared to be at risk of defaulting in early September if an extension was not agreed, but in reality with Congress closing for its summer recess in August an agreement had to be reached before then. **Talks between Congress and the Treasury have resulted in the debt ceiling being suspended until July 31, 2021, eliminating the risk that the government could miss payments in September and removing the risk of another government shutdown** like the one at the start of the year which haunted markets. It would also cancel automatic cuts that would have reduced domestic spending by USD55 billion and military spending by USD71 billion compared with 2019 levels. The agreement will have to be voted on by Congress but all the signs are that it will go through. With the new spending and limited savings, the deal will likely push the annual budget deficit over USD1 trillion next year.

**Updated forecasts from the UK's National Institute of Economic and Social Research (NIESR) indicate that the UK's planned exit from the European Union may have already pushed the UK into a recession.** Their latest forecasts indicate that a no-deal Brexit could have a 3% contractionary effect on GDP, result in a further 10% decline in the pound and result in inflation accelerating to 4.1% over the next year. The report is the latest in a string of uncertain news emerging from the UK as a new prime minister is set to be appointed later today, with Boris Johnson the favourite to take over from Theresa May..

## GBPUSD approaches 3-year low as new PM to be appointed



Source: Bloomberg, Emirates NBD Research.

## Today's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone Consumer Confidence July Advance	18:00	-7.2	US Existing Home Sales	18:00	5.33m

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Treasuries continued their positive run from last week even as volumes were slightly lower. Yields on the 2y UST, 5y UST and 10y UST closed at 1.81% (-1 bp), 1.80% (-1 bp) and 2.04% (-1 bp) respectively.

Regional bonds traded flat. The YTW on Bloomberg Barclays GCC Credit and High Yield index remained at 3.44% as did credit spreads at 151 bps.

Saudi Arabia raised SAR 5.216bn in local sukuk offering in three tranches across the month of July.

In terms of rating action, S&P removed Ezdan Holding from negative credit watch and affirmed its rating at B. The outlook on the rating remains negative.

## FX

The USD firmed against most major currencies overnight as an agreement to extend the debt limit was announced in the US, removing fears of another government shutdown and of a tense period of brinkmanship. The USD also strengthened as the markets approach the ECB meeting tomorrow, where there is a possibility of an ECB rate cut. Currently the OIS is implying a 53% chance of a 10 bps rate cut at this week's meeting from the current rate of -0.40% to -0.50%. In addition, the market is expecting a resumption of an asset purchase program later in the year and as a result the euro is likely to remain under pressure in the short term.

Yesterday, President Trump took another swipe at the Federal Reserve for not doing enough to stimulate the economy and he also accused other countries of engaging in currency manipulation. President Trump's intended nominee to fill an open seat on the Federal Reserve Board, Judy Shelton said she would support a 50bps interest rate cut at the upcoming July meeting. Meanwhile GBPUSD is close to a 3-year low as the UK will see a new PM appointed later today. As we go to print, GBPUSD is currently trading at 1.2460, with the potential of retesting last week's two year low of 1.2382. Yesterday the UK's National Institute of Economic and Social Research (NIESR) indicated that a no-deal Brexit could have a 3% contractionary effect on GDP, and result in a further 10% decline in the pound.

## Equities

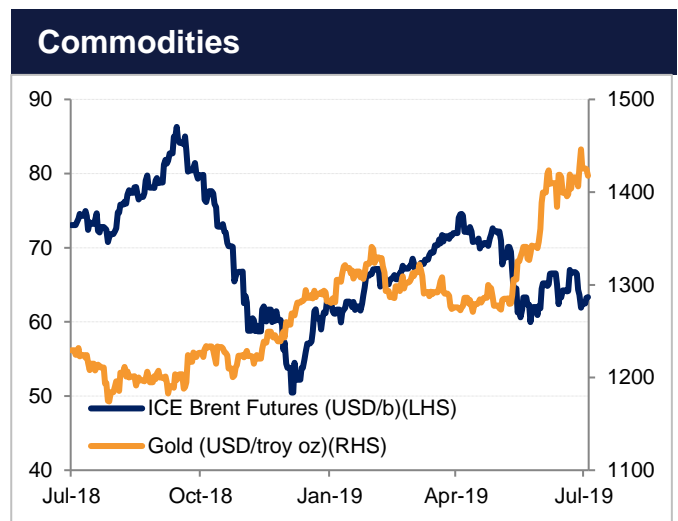
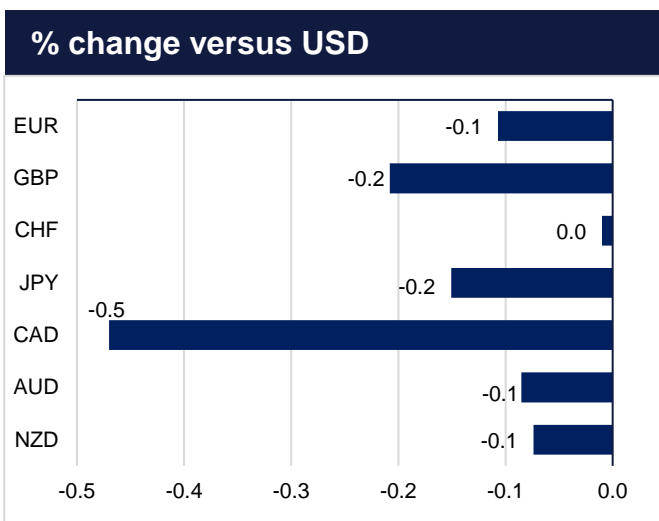
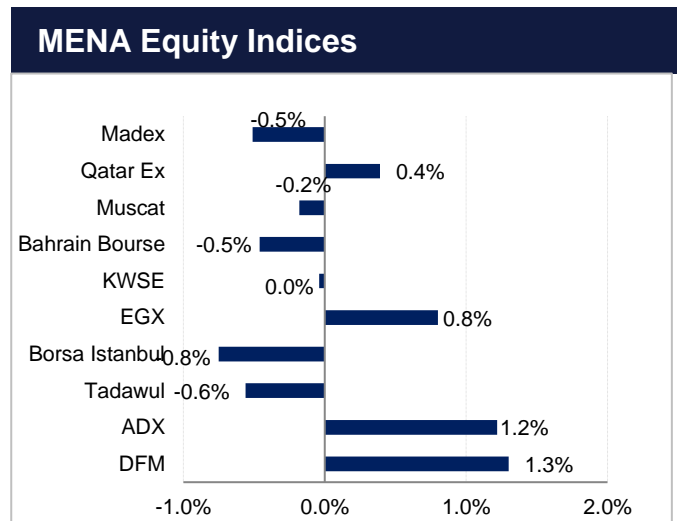
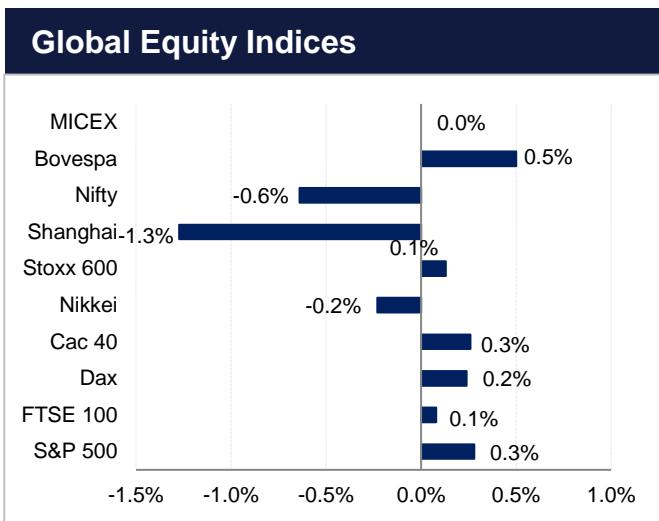
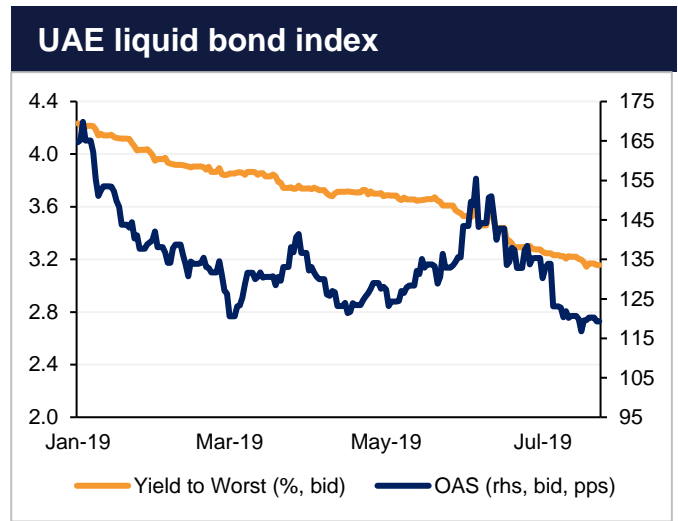
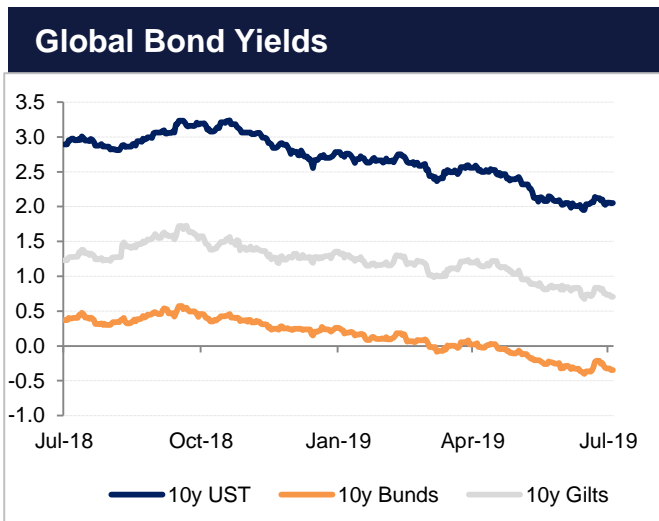
Developed market equities closed higher amid better than expected corporate earnings. The S&P 500 index and the Euro Stoxx 50 index gained +0.3% each.

Regional equities had a positive day of trading. The DFM index added +1.3% on the back of strength in Emaar-related names. Emaar Properties added +2.5% after the company announced a pact with Beijing Daxing Airport for a USD 11bn project. The company cited the agreement as the beginning of new opportunities in the Chinese market.

## Commodities

Oil prices rose modestly at the start of the week, with both Brent and WTI pricing benchmarks showing gains on Friday's close. Brent futures closed at USD 63.26/b yesterday, 1.3% up on Friday, and was at similar levels in early trading Tuesday. WTI rose 0.8% meanwhile, to USD 56.22/b. Tensions in the Gulf remain supportive of prices, but these geopolitical boosts have proved short lived in recent months, with the ongoing risk of a global slowdown serving to cap gains.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1209	-0.11	1.1519	USDTRY	5.6796	+0.36	EURAED	4.1171	-0.11
GBPUSD	1.2476	-0.21	1.2651	USDEGP	16.6407	+0.13	GBPAED	4.5830	-0.21
USDJPY	107.87	+0.15	105.16	USDSAR	3.7506	--	JPYAED	0.0341	-0.13
USDCAD	1.3119	+0.46	1.3073	USDQAR	3.6800	+1.06	CADAED	2.7996	-0.44
AUDUSD	0.7036	-0.09	0.7094	USDKWD	0.3036	--	AUDAED	2.5841	-0.08
USDCHF	0.9820	+0.01	0.9516	USDBHD	0.3770	--	CHFAED	3.7403	+0.01
EURGBP	0.8985	+0.12	0.9105	USDOMR	0.3850	-0.00	TRYAED	0.6500	+0.15
USDAED	3.6730	--	3.6788	USDINR	70.7225	-0.64	INRAED	0.0552	+3.69

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4857	2.5356	2.8081	3.1139	USD 2 yr	1.846	-0
USD LIBOR	2.2611	2.2594	2.1443	2.1578	USD 5 yr	1.794	-1
GBP LIBOR	0.7214	0.7648	0.8006	0.8596	USD 10 yr	1.971	-2
JPY LIBOR	-0.0987	-0.0790	-0.0362	0.0453	EUR 2 yr	-0.450	-0
CHF LIBOR	-0.8192	-0.7530	-0.7240	-0.6252	EUR 5 yr	-0.299	-0
					EUR 10 yr	0.110	-0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1424.88	-0.03	ADGB 6.75 19	2.42	--	Abu Dhabi	52	-4
Silver	16.40	+0.40	DUGB 7.75 20	2.23	+4	Bahrain	241	--
Oil (WTI)	56.22	+1.06	QATAR 5.25 20	2.70		Dubai	130	--
Aluminium	1788.75	-1.92	US Tsy 2 yr	1.81	-1	Oman	289	--
Copper	5997.00	-0.96	US Tsy 10 yr	2.05	-1	Qatar	53	-1
						Saudi Arabia	73	--

Source: Bloomberg, Emirates NBD Research

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