



بنك الإمارات دبي الوطني  
Emirates NBD

Daily

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# Daily Outlook

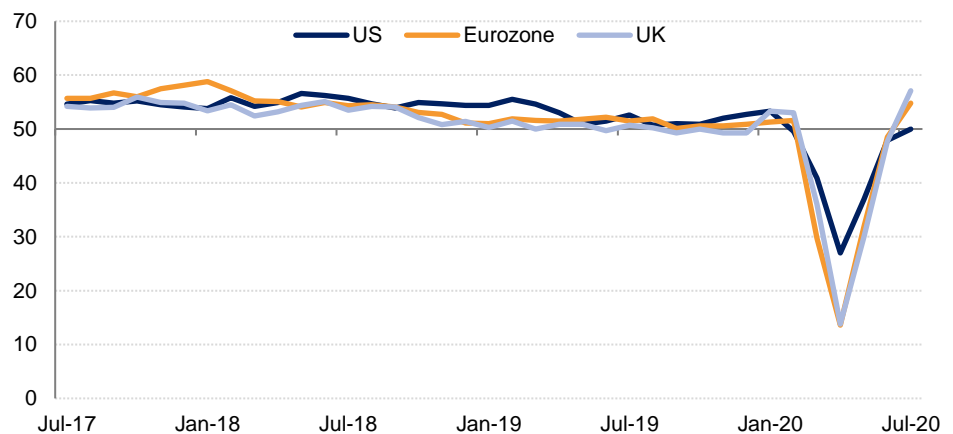
**Initial jobless claims in the US rose slightly to 1.42mn in the week of 18 July, raising concerns about the slowing rate of recovery there and increasing pressure on congress and the White House to agree on a new stimulus package**, especially with the USD 600/week federal boost to unemployment insurance expiring this week. While the initial jobless claims point to continuing job losses, continuing claims declined to 16.2mn in the week of 11 July from 17.3mn previously. Economic data on Friday was mixed, with **new home sales rising by more than expected in June but the Flash PMIs for both manufacturing and services coming in below forecasts**, as new restrictions to contain the spread of coronavirus in some states weighed on services sectors in particular

**In the Eurozone and UK, preliminary PMI data for July were better than expected for both services and manufacturing.** In the UK the composite PMI rose sharply to 57.1 in July from 47.7 in June as more businesses reopened. While activity continued to rebound in July, jobs continued to be lost with the employment component of the PMIs remaining well below the neutral 50-level in both the Eurozone and the UK. **UK retail spending rose by a larger than expected 13.9% m/m in June** and is largely back to pre-pandemic levels. However, some of this reflects the shift away from non-retail spending (eg restaurants to supermarkets) as well as growth in online spending.

**The Turkish central bank held its benchmark one-week repo rate steady at 8.25% on Thursday**, as widely expected. High inflation has pushed real interest rates into negative territory at -4.4%, and it looks increasingly likely that the easing cycle which began last July has reached its conclusion.

**The focus this week will be on the expected US stimulus package**, with legislation expected to be introduced early this week. The White House has reportedly dropped its insistence on a payroll tax cut as part of the package, which is now likely to include USD 1200 cheques for those earning up to USD 75k pa. Q2 GDP data in the US is due Thursday and is expected to show the economy contracted -35% q/q annualised (Bloomberg consensus). We don't expect any significant changes to monetary policy at this week's FOMC meeting.

## Composite PMIs show a return to growth in July



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons.		Time	Cons.
JN All Industry Activity Index	8:30	-3.5%	GE IFO Bus. Climate	12:00	89.3
US Durable Goods Orders	16:30	7.0%			

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Yields on US treasuries continued to test lower last week as market anxiety over a spreading resurgence of coronavirus cases weighs on the outlook for the global economy. Yields on 2yr UST were roughly flat over the week, closing at 0.147% while the 10yr slipped by almost 4bps to 0.59%. The curve bear flattened over the week with the 2s10s spread closed down by 4bps. Markets will be watching the US Federal Reserve decision this week for commentary on how long rates will stay as low as they are.

Emerging market bonds stretched their gains further with the Bloomberg Barclays USD EM index adding 1% last week. Spreads over US treasuries managed to push below 390bps and settled at the end of the week at around 380bps.

Corporate results are setting the tone for regional markets at the moment with no primary issuance forthcoming.

## FX

The dollar continued to weaken last week and has shown no signs of easing its decline. The DXY index fell by over -1.65% to 94.346, a new low for the year and its lowest point since 2018. The prospect of further losses remains intact for the foreseeable future. USDJPY declined by over -0.8% to trade at 106.14, its lowest level since March. Continued risk-aversion is providing a boost to the JPY, with the next key indicator being the 38.2% one-year Fibonacci retracement of 105.41.

Meanwhile the euro has climbed to its highest point since 2018 at 1.1656, marking an increase of over 2% for the week. The latest PMI data out of the Eurozone has been positive, showing a steady return to growth. Similarly sterling advanced to reach 1.2794 after UK composite PMI data beat expectations considerably. The currency remains well above the 200-day moving average of 1.2702. The AUD continues to operate above the 0.70 handle at 0.7105 whilst the NZD rallied by over 1.25% for the week to settle at 0.6641..

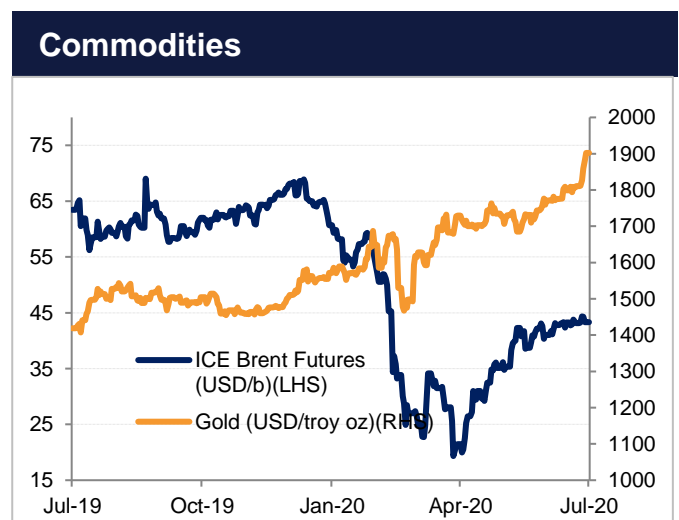
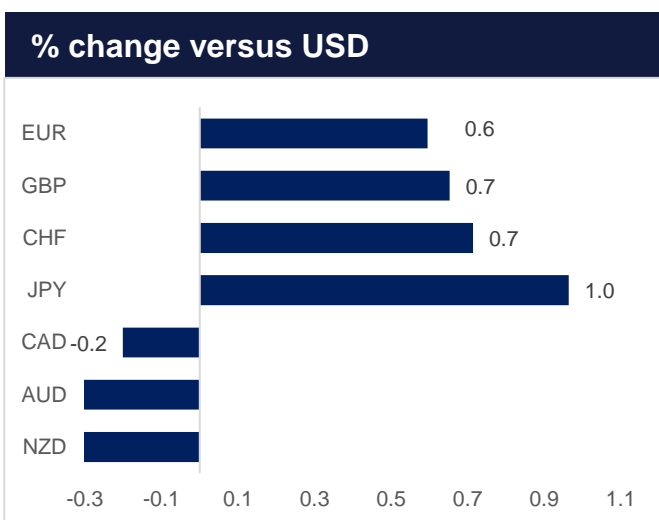
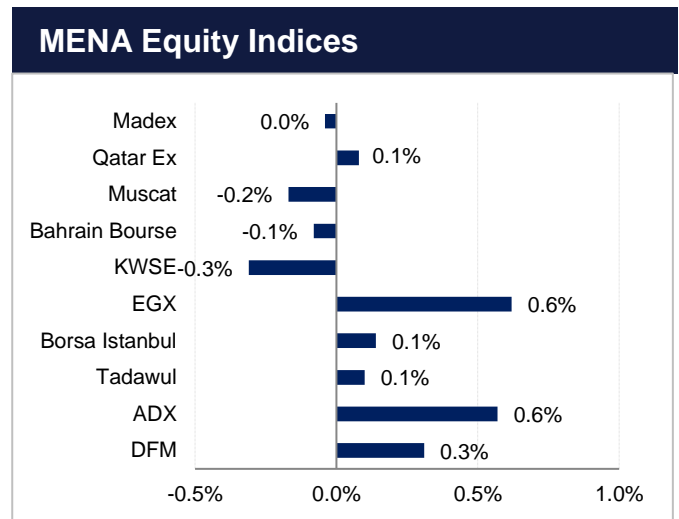
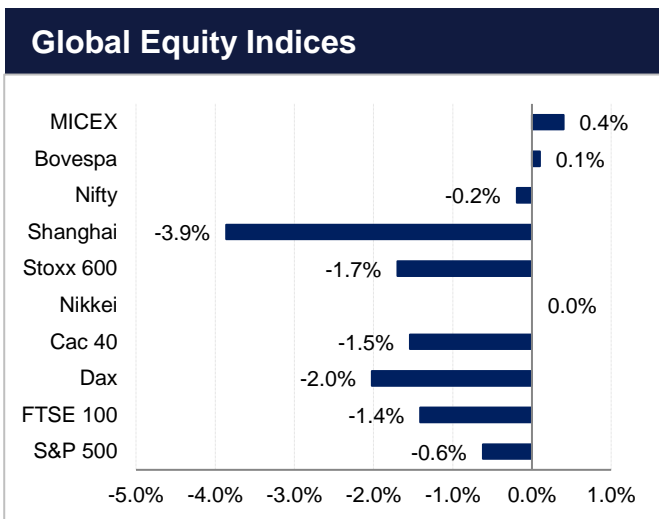
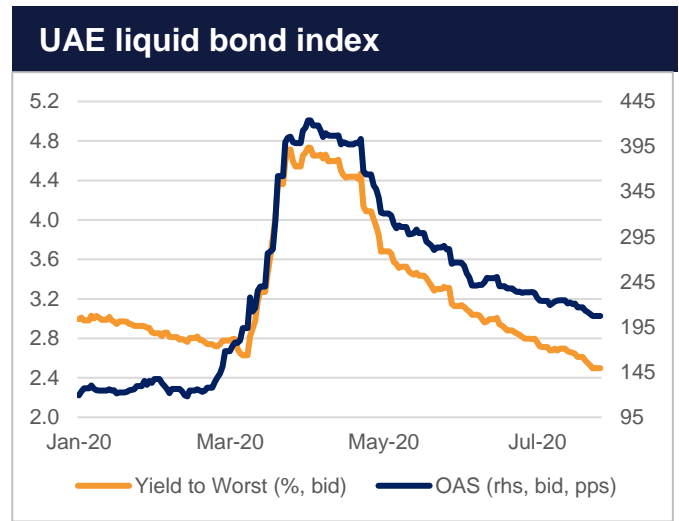
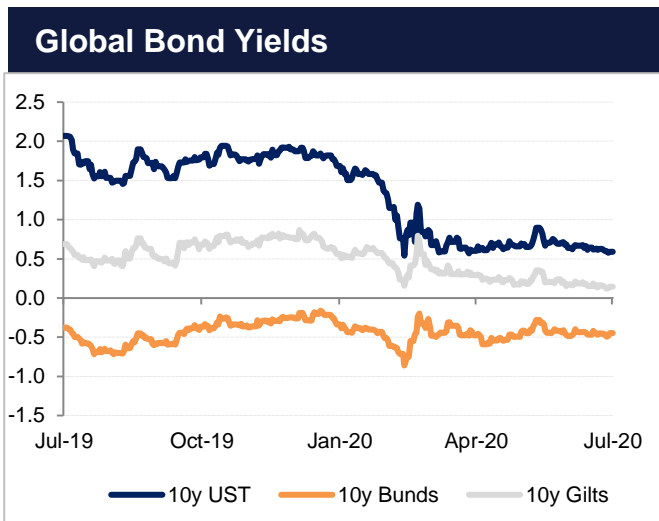
## Equities

While some major global indices (the S&P 500 and the DAX) briefly enjoyed their first ytd gains in months over the course of last week, a loss of momentum over Thursday-Friday saw both slip back down to lower than they started the year once again. In the end, the S&P 500 closed down -0.3% on the week (down -0.5% ytd) while the DAX lost -0.6% w/w (down 3.1% ytd). Strong PMI numbers in Europe on Friday were seemingly insufficient to counter negative sentiment generated by the ongoing rise in coronavirus cases in the US, Spain and elsewhere, and by rising tensions between the US and China once again. The w/w losses were replicated in Asia, where the Shanghai Composite lost -0.5% over the period, and the Hang Seng -1.5%.

## Commodities

Oil market volatility continues to wane with prices recording their third consecutive week of minimal change. Brent futures gained all of 20 US cents last week to close at USD 43.34/b while WTI saw a 'richer' gain of USD 0.75/b, three measly US quarters, to settle at USD 41.34/b. The lack of movement is attributable to markets having to assess whether demand will succumb to second waves of coronavirus across many countries while the supply side adjustment from OPEC+ and others is already priced into the market. Forces of nature beyond viruses are also contributing to the sense of quietude in oil markets: Hurricane Hanna will pass to the south of most oil and gas platforms in the Gulf of Mexico.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1656	+0.60	1.1749	USDTRY	6.8464	+0.01	EURAED	4.2548	-0.03
GBPUSD	1.2794	+0.65	1.2818	USDEGP	15.9860	-0.01	GBPAED	4.6759	+0.13
USDJPY	106.14	-0.94	105.52	USDSAR	3.7506	--	JPYAED	0.0345	+0.68
USDCAD	1.3415	+0.20	1.3413	USDQAR	3.6800	+0.65	CADAED	2.7341	-0.34
AUDUSD	0.7105	-0.35	0.7105	USDKWD	0.3066	-0.05	AUDAED	2.5956	-0.89
USDCHF	0.9206	-0.70	0.9107	USDBHD	0.3770	-0.00	CHFAED	3.9707	+0.23
EURGBP	0.9110	-0.07	0.9166	USDOMR	0.3850	--	TRYAED	0.5400	+0.65
USDAED	3.6730	+0.00	3.6783	USDINR	74.8288	+0.09	INRAED	0.0552	+12.46

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.3315	0.6103	0.6325	1.0725	USD 2 yr	0.212	+0
USD LIBOR	0.1726	0.2468	0.3185	0.4595	USD 5 yr	0.309	+1
GBP LIBOR	0.0680	0.0843	0.1763	0.3153	USD 10 yr	0.582	+1
JPY LIBOR	-0.0680	-0.0475	-0.0295	0.1010	EUR 2 yr	-0.396	+1
CHF LIBOR	-0.7804	-0.6964	-0.6552	-0.5248	EUR 5 yr	-0.361	+2
					EUR 10 yr	-0.191	+3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1902.02	+0.77	ADGB 2.50 25	1.09	+3	Abu Dhabi	55	+2
Silver	22.77	-0.77	DUGB 3.89 25	1.37	+1	Bahrain	337	-2
Oil (WTI)	41.29	+0.54	QATAR 3.4 25	1.18	+3	Dubai	182	-1
Aluminium	1663.25	-0.06	US Tsy 2 yr	0.15	-0	Oman	477	--
Copper	6430.25	-2.13	US Tsy 10 yr	0.59	+1	Qatar	52	--
						Saudi Arabia	89	+1

Source: Bloomberg, Emirates NBD Research

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## Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12thFloor  
Baniyas Road, Deira  
P.OBox777  
Dubai

**Aazar Ali Khwaja**  
Senior Executive Vice President  
Global Markets & Treasury  
+971 4 609 3000  
aazark@emiratesnbd.com

**Khatija Haque**  
Head of Research &  
Chief Economist  
+9714 230 7803  
khatijah@emiratesnbd.com

---

### Research

**Edward Bell**  
Senior Director, Market Economics  
+9714 230 7701  
edwardpb@emiratesnbd.com

**Shady Shafer Elborno**  
Head of Macro Strategy  
+9714 609 3015  
shadyb@emiratesnbd.com

**Daniel Richards**  
MENA Economist  
+9714 609 3032  
danielricha@emiratesnbd.com

**Jamal Mattar**  
Research Analyst  
+9714 444 3607  
jamaly@emiratesnbd.com

---

### Sales & Structuring

**Group Head – Treasury Sales**  
Tariq Chaudhary  
+971 4 230 7777  
tariqmc@emiratesnbd.com

**Saudi Arabia Sales**  
Numair Attiyah  
+966 11 282 5656  
numaira@emiratesnbd.com

**Singapore Sales**  
Supriyakumar Sakhalkar  
+65 65785 627  
supriyakumars@emiratesnbd.com

**London Sales**  
+44 (0) 20 7838 2241

**Egypt**  
+20 22 726 5040

---

### Emirates NBD Capital

**Hitesh Asarpota**  
Head of Debt Capital Markets.  
+971 50 4529515  
asarpotah@emiratesnbd.com

---

### Investor Relations

**Patrick Clerkin**  
+9714 230 7805  
patricke@emiratesnbd.com

### Group Corporate Affairs

**Ibrahim Sowaidan**  
+9714 609 4113  
ibrahims@emiratesnbd.com

**Claire Andrea**  
+9714 609 4143  
clairea@emiratesnbd.com