



بنك الإمارات دبي الوطني
Emirates NBD

Daily
29 July 2020

Daily Outlook

Negotiations between Republicans, Democrats and the White House failed to yield agreement on a new package of stimulus measures yesterday, as some Republican senators became increasingly vocal about their opposition to even the USD 1tn additional support proposed by their own party. A new deal is unlikely to be agreed before the current USD 600/week unemployment insurance expires this week. Meanwhile **US consumer confidence fell by more than expected in July to 92.6 from 98.3 in June.** The present situation component improved but the expectations index declined sharply to 91.5 from 106.1 in June. The survey suggests that consumption growth is likely to have slowed in recent weeks.

Separately the Fed extended its emergency lending programs by three months to the end of 2020 ahead of its two-day meeting which will conclude later today. The FOMC is not expected to make any significant changes to monetary policy, but may start to provide more clarity on its forward guidance, perhaps by linking interest rates more explicitly with economic variables such as inflation or unemployment.

Saudi Arabia's budget deficit widened sharply in Q2 to SAR 109.2bn as both oil and non-oil revenues declined. Oil revenue was down -45% y/y as both oil prices and the volume of production declined. Non-oil revenue fell -55% as a result of the impact of coronavirus restrictions on tax and fee income. The government cut spending -17% y/y in Q2, with capital spending bearing the brunt of the cuts. We expect the budget deficit to widen to -13.7% of GDP this year from -4.5% in 2019.

Data from SAMA showed money supply growth slowed to 9.0% y/y in June from 10.2% in May, while private sector credit growth accelerated to 13.2% y/y from 11.0% in May. Net foreign assets declined slightly to USD 443bn last month. Point of sale transactions surged 78.3% y/y in June as consumers likely brought forward purchases ahead of the increase in VAT from 1 July.

In the UAE, local press reports that property developer Nakheel has approached banks to refinance some outstanding debt. No further details on the amount of debt that might be restructured were provided.

Saudi Arabia: Point of sales transaction value



Source: Haver Analytics, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
UK Mortgage Approvals	12:30	35.0k	US Pending Home Sales	18:00	15.0%
FOMC Rate Decision	22:00	0-0.25%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

US treasuries rallied ahead of the Fed's decision. Yields on the 2yr UST fell slightly more than 1bp to below 0.14% while yields on the 10yr UST sank almost 4bps to settle at 0.579%. Market focus will be on whether the Fed outlines a plan to link rate moves directly to economic targets—either inflation hitting the 2% target or unemployment hitting a set level—and whether the Fed is still interested in pursuing a yield cap strategy.

Bond markets generally were supported overnight with gains across corporate and high-yield markets too. EM bonds held roughly flat with most issuances taking place in local currencies.

FX

The dollar was largely unchanged on Tuesday. The DXY index remains around the 93.65-93.70 region, trading water ahead of the Fed's announcements later tonight. USDJPY moved lower, falling below the 38.2% one-year Fibonacci retracement at 105.13, a loss of just over -0.20%. USDJPY continues to test the 105 level which has been a barrier in previous cycles where the yen has strengthened.

The euro lost some of its recent vigour but remains in a comfortable position above the 1.17 handle at 1.1730. Sterling continues to hover just below the 1.30 mark at 1.2930 range. The 76.4% one-year Fibonacci retracement of 1.3018 may offer some resistance for the currency. The AUD remains in positive form at 0.7168 whilst the NZD fell by over -0.40% to trade at 0.6655.

Equities

Equity indices in developed markets sold off moderately yesterday, as investors waited to see the outcome of the FOMC meeting and renewed stimulus in the US. The S&P 500 lost 0.7% and the Dow 0.8%, while in Europe the CAC closed down 0.2% and the DAX was flat. The UK somewhat bucked the trend, with the FTSE 100 gaining 0.4%, driven by homebuilders on the expectation that the government's help to buy scheme will be extended.

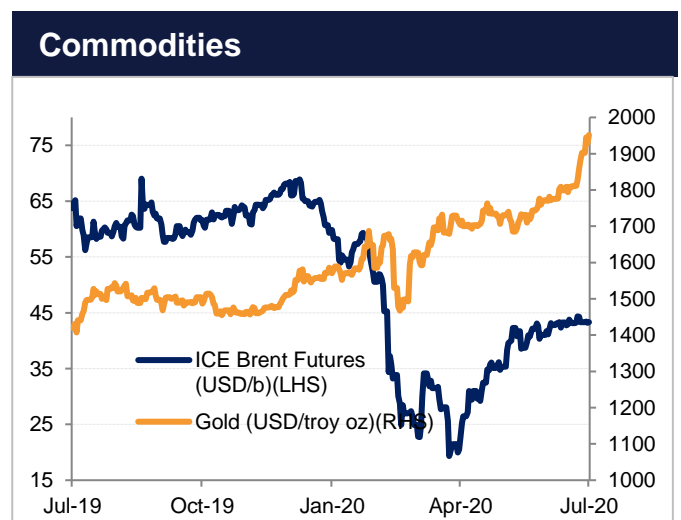
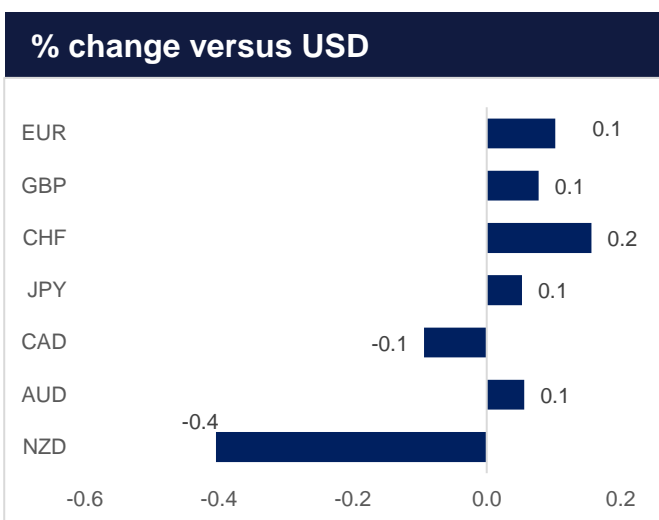
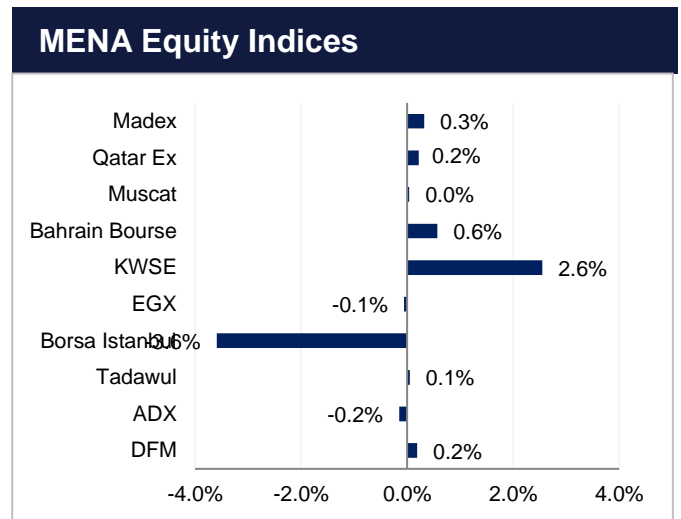
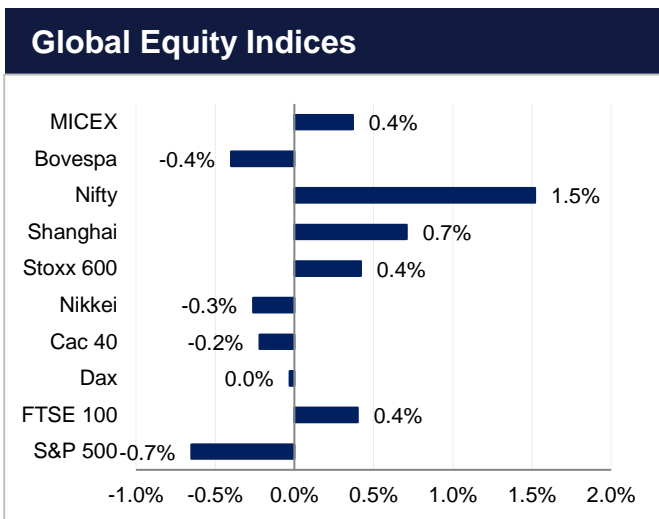
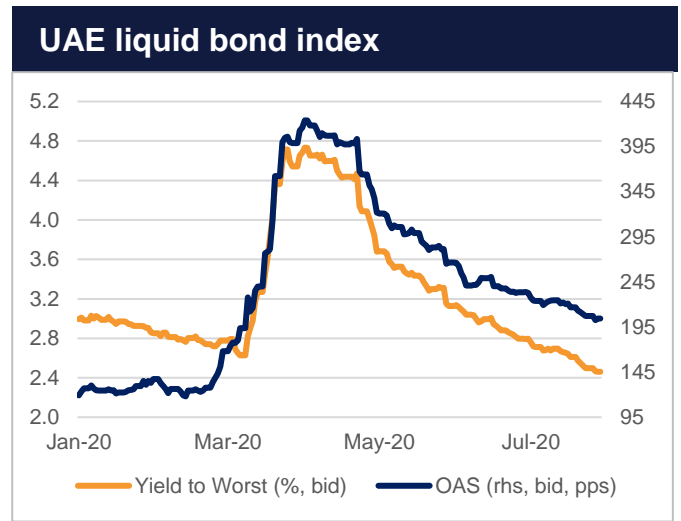
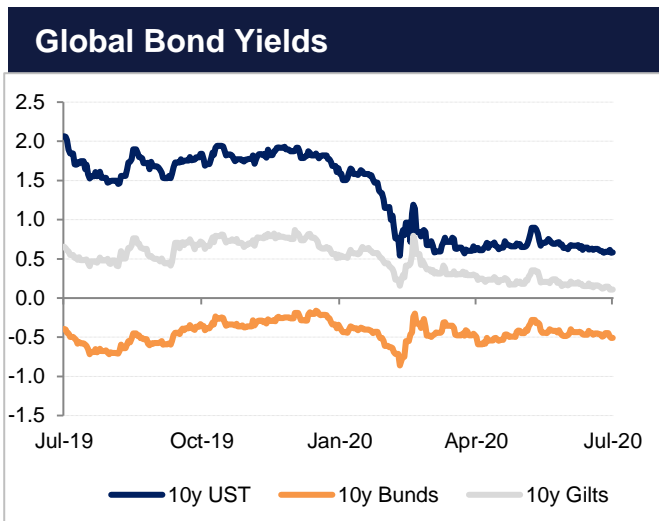
Regional equities were positive yesterday, with the DFM closing up 0.2%, and the Tadawul gaining 0.5%..

Commodities

Oil prices are oscillating as the market awaits the outcome of negotiations over additional fiscal stimulus in the US and more clarity on rates policy from the Federal Reserve. Prices slipped overnight with Brent down by 0.4% and WTI off by 1.4% but both are holding steady in trading today with Brent futures at USD 43.33/b and WTI a little more than USD 41/b.

The API reported a 6.8m bbl draw in crude inventories last week while products rose. Markets may need to prepare for an unseasonal build in gasoline inventories as traditional holiday spots in the US appear to be the centres of the coronavirus resurgence that is underway.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1738	+0.10	1.1833	USDTRY	6.9160	+0.96	EURAED	4.3111	+0.09
GBPUSD	1.2881	+0.08	1.2906	USDEGP	15.9496	-0.37	GBPAED	4.7312	+0.09
USDJPY	105.21	-0.07	104.59	USDSAR	3.7509	--	JPYAED	0.0349	+0.05
USDCAD	1.3386	+0.09	1.3383	USDQAR	3.6800	+0.51	CADAED	2.7437	-0.09
AUDUSD	0.7146	+0.06	0.7146	USDKWD	0.3060	-0.02	AUDAED	2.6242	+0.05
USDCHF	0.9184	-0.21	0.9085	USDBHD	0.3770	-0.01	CHFAED	3.9988	+0.16
EURGBP	0.9112	+0.02	0.9168	USDOMR	0.3848	-0.09	TRYAED	0.5300	-1.16
USDAED	3.6729	--	3.6729	USDINR	74.8387	+0.00	INRAED	0.0552	+12.41

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.3030	0.5663	0.6950	0.9917	USD 2 yr	0.218	+1
USD LIBOR	0.1669	0.2683	0.3175	0.4605	USD 5 yr	0.316	+2
GBP LIBOR	0.0684	0.0919	0.1733	0.3136	USD 10 yr	0.601	+3
JPY LIBOR	-0.0668	-0.0607	-0.0332	0.1003	EUR 2 yr	-0.403	-0
CHF LIBOR	-0.7836	-0.7068	-0.6580	-0.5292	EUR 5 yr	-0.378	-1
					EUR 10 yr	-0.224	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1958.43	+0.83	ADGB 2.50 25	1.07	-0	Abu Dhabi	54	+1
Silver	23.58	-3.86	DUGB 3.89 25	1.35	-0	Bahrain	311	+2
Oil (WTI)	41.04	-1.35	QATAR 3.4 25	1.19	+1	Dubai	175	-4
Aluminium	1685.25	+0.91	US Tsy 2 yr	0.14	-1	Oman	450	--
Copper	6490.00	+0.99	US Tsy 10 yr	0.58	-4	Qatar	52	+1
						Saudi Arabia	88	+1

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
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