



بنك الإمارات دبي الوطني
Emirates NBD

Daily
4 August 2020

www.emiratesnbdresearch.com

Daily Outlook

The US ISM manufacturing survey for July exceeded expectations, coming in at 54.2, compared to consensus 53.6. It was also up on June's 52.6, signalling improving conditions in US factories. Particularly promising was the new orders component, which hit 61.5, the highest level since 2018. On the downside, however, employment remained sharply contractionary at 44.3, potentially implying that the US consumer will remain fairly weak for the time being, especially on the heels of the second consecutive weekly rise in initial jobless claims last week. Anecdotal reports accompanying the survey were also full of uncertainty. China's July Caixin manufacturing PMI was also released early yesterday, climbing to 52.8 from June's 51.2.

Tensions between the US and China continue to make headlines, with US President Donald Trump stating that China must cease operating social media application TikTok in the US by September 15. Whether or not a mooted sale to Microsoft goes ahead, China has threatened retaliations. The developments run the risk of a return to the strife and uncertainty which dominated 2019 headlines and could weigh on any nascent economic recovery in what is already a very volatile year.

Consumer prices in the UAE rose 0.3% m/m in June but were still down -2.4% y/y. However, the annual rate of deflation eased from -2.7% y/y in May. Housing & utilities costs, the largest component of the consumer basket, rose 0.5% m/m – the largest monthly increase since January 2018 when VAT came into effect. However, housing & utilities costs were still down -3.0% y/y. Food prices increased slightly m/m while the annual inflation in food prices slowed to a still high 5.7% in June from 6.2% y/y in May. The cost of most services have declined over the last year, except for education, which was up 1% y/y in June. We expect the overall rate of deflation to moderate further in H2, with average CPI forecast at -2.0% in 2020.

US ISM manufacturing survey



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
US factory orders	18:00	5.0%	US durable goods orders	18:00	7.3%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

A general risk-on tone to markets helped push bonds lower at the start of the week. Most major investment grade bond indices closed lower while riskier corporate and emerging market debt gained. Yields across the whole of the UST curve closed higher: the 2yr yield nudged back up to 0.1093% while the 10yr yield added more than 2bps to settle at 0.5543%. Both are tentatively going higher in early trade today.

Regionally the primary market is quiet with recent borrowing in local currencies.

FX

The dollar managed to record a second consecutive day of gains overnight for the first time since the end of June. Pull-backs in the Euro was likely the main driver to send the dollar index higher while a risk-on tone to markets helped weaken both CHF and JPY against the USD. Despite the risk-on sentiment both the AUD and NZD closed lower on the day.

Equities

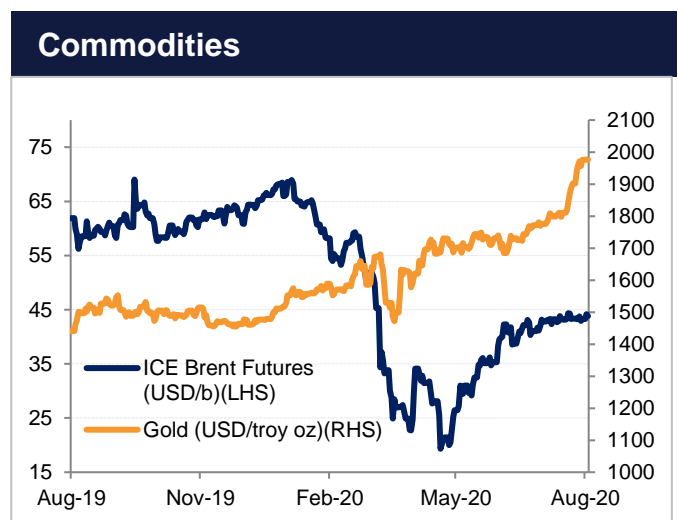
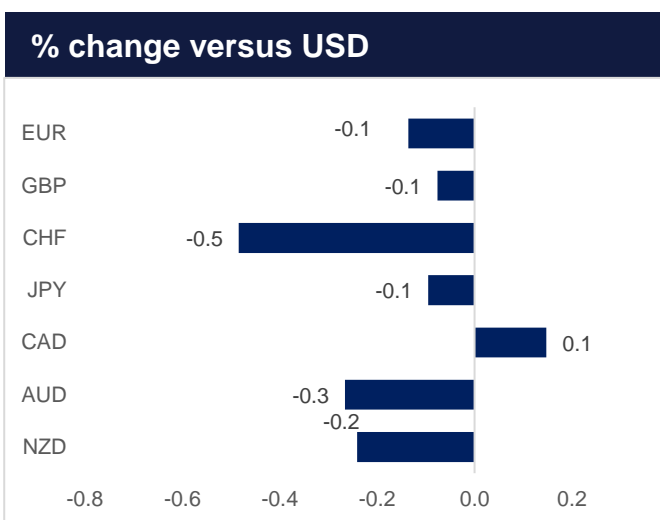
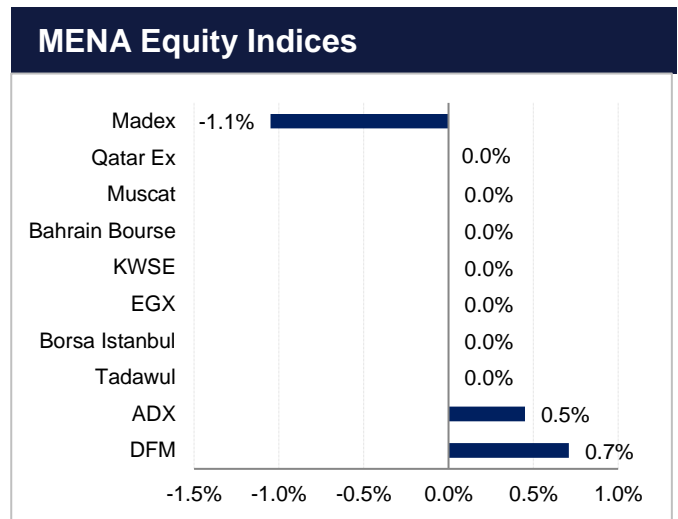
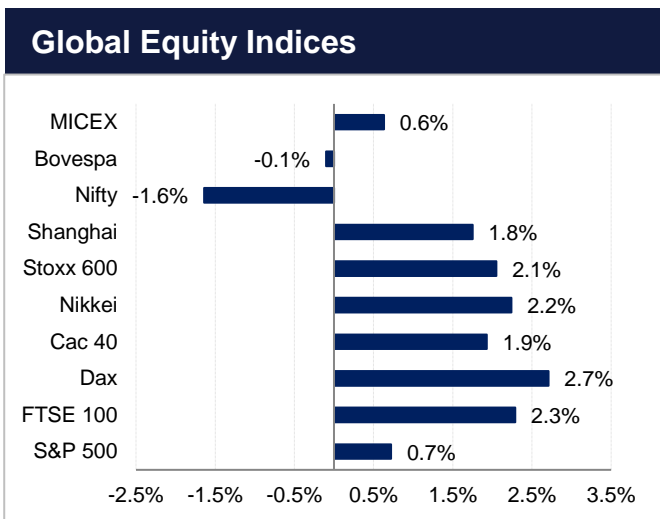
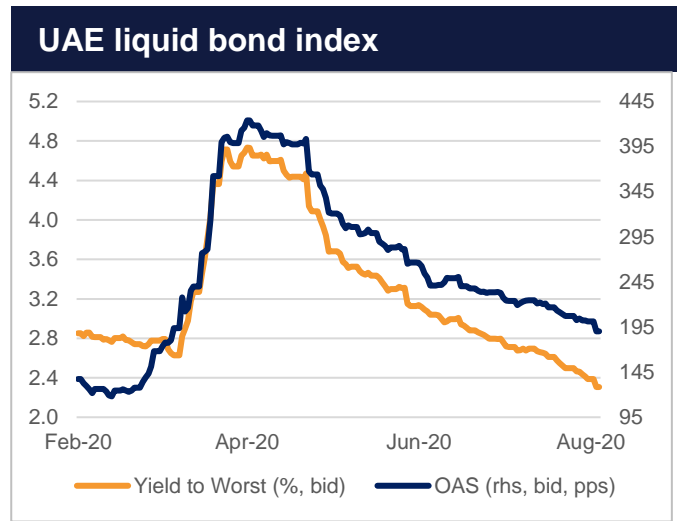
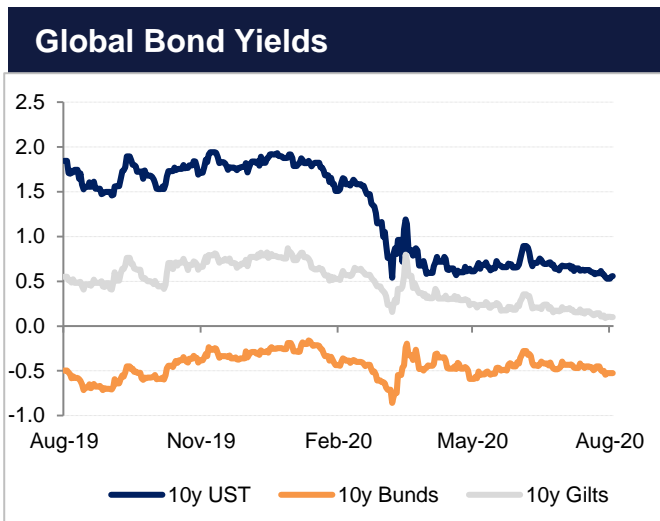
Equities enjoyed a strong day yesterday, with most major global indices seeing gains in the region of 1.0%-2.0% as all regions enjoyed better-than-anticipated survey results. Europe was particularly strong as the DAX gained 2.7% and the CAC 1.9%, while the UK's FTSE 100 rose by 2.3%. These were all buoyed by the positive final reading on their most recent PMI surveys, which confirmed the strongest pace of growth in years – even if only in m/m terms. The better-than-expected ISM manufacturing survey from the US also aided sentiment, and the S&P 500 closed up 0.7%. Meanwhile, the Caixin PMI survey in China, which also came in above expectations, helped push the Shanghai Composite up 1.8% on the day.

Commodities

Oil prices rallied at the start of the trading week, buoyed by a healthy bounce in the US manufacturing ISM. Brent futures closed up just shy of 2% at USD 44.15/b while WTI closed at USD 41.01/b, up 1.8%.

Total production from OPEC rose by 900k b/d in July as Saudi Arabia, the UAE and Kuwait unwound the extra level of cuts they committed to during the OPEC+ deal. Output from Saudi Arabia was up by 900k b/d while the UAE and Kuwait added 20k b/d and 70k b/d respectively.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1762	-0.14	1.1853	USDTRY	6.9512	-0.31	EURAED	4.3200	-0.13
GBPUSD	1.3075	-0.08	1.3096	USDEGP	#N/A N/A		GBPAED	4.8026	-0.08
USDJPY	105.95	+0.11	105.38	USDSAR	3.7508	--	JPYAED	0.0347	-0.09
USDCAD	1.3391	-0.16	1.3391	USDQAR	3.6800		CADAED	2.7425	+0.12
AUDUSD	0.7124	-0.27	0.7124	USDKWD	#N/A N/A		AUDAED	2.6164	-0.27
USDCHF	0.9178	+0.54	0.9082	USDBHD	0.3770	-0.00	CHFAED	4.0020	-0.48
EURGBP	0.8996	-0.06	0.9051	USDOMR	0.3850	-0.00	TRYAED	0.5300	
USDAED	3.6730		3.6778	USDINR	75.0100	+0.26	INRAED	0.0552	+12.66

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2700	0.6196	0.7231	1.0458	USD 2 yr	0.188	+1
USD LIBOR	0.1549	0.2488	0.3061	0.4486	USD 5 yr	0.267	+2
GBP LIBOR	0.0586	0.0844	0.1606	0.3119	USD 10 yr	0.548	+3
JPY LIBOR	-0.0728	-0.0552	-0.0298	0.1048	EUR 2 yr	-0.430	+0
CHF LIBOR	-0.7878	-0.7048	-0.6562	-0.5280	EUR 5 yr	-0.396	+0
					EUR 10 yr	-0.231	-0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1976.98	+0.06	ADGB 2.50 25	1.06	+3	Abu Dhabi	55	--
Silver	24.30	-0.37	DUGB 3.89 25	1.30	-0	Bahrain	327	+14
Oil (WTI)	41.01	+1.84	QATAR 3.4 25	1.09	-4	Dubai	175	--
Aluminium	1713.75	+2.30	US Tsy 2 yr	0.11	+0	Oman	476	+2
Copper	6495.00	+1.14	US Tsy 10 yr	0.55	+3	Qatar	52	-1
						Saudi Arabia	90	-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