



بنك الإمارات دبي الوطني  
Emirates NBD

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[www.emiratesnbdresearch.com](http://www.emiratesnbdresearch.com)

## Daily Outlook

The Central Bank of the UAE has announced new measures within the Targeted Economic Support Scheme (TESS), relaxing two key liquidity requirements to boost the lending capacity of banks as part of efforts to support companies and individuals affected by Covid-19. The new measures affect the Net Stable Funding Ratio (NSFR) which is mandatory for the five largest UAE banks, and the Advances to Stable Resources Ratio (ASRR), which is applicable to all other banks in the country. For the NSFR, banks will be allowed to go below the 100% threshold, but not below 90%. For the ASRR, lenders can go above 100% but not exceed 110%. Both ratios ensure that long-term assets are backed by stable funding resources, by relaxing those banks will have more flexibility in managing their balance sheets. According to Central Bank figures as of July, 260,000 individuals and 9,527 SME's availed the interest-free loans under TESS. SME's drew on a total of AED 4.1bn of loans by the end of July, accounting for 9.3% of the total amount disbursed. Individuals have received support worth AED 3.2bn from banks, according to the data.

US nonfarm payrolls increased by 1.763mn jobs in July after a record rise of 4.791mn in June. Excluding government employment which was artificially boosted by a seasonal coincidence related to government education employment and temporary hiring for the 2020 Census, payrolls rose 1.462mn, down from 4.737mn in June. The unemployment rate fell to 10.2% from 11.1% in June. Average hourly earnings increased 0.2% in July after a drop of 1.3% in June. The leisure and hospitality industry added 592,000 workers, accounting for about a third of nonfarm payrolls, with the majority of jobs at restaurants and bars. Retail employment rose by 258,000 jobs. The July data indicates that 40% of the jobs lost since February have been recovered, but this still means around 13mn people remain unemployed due to the impact of the coronavirus.

Separately, as Democrats and Republicans failed to agree on a new stimulus package at the end of last week, President Trump signed several executive orders on Saturday to extend unemployment benefits of USD 400/week, defer some payroll taxes until next year, and extend the moratorium on evictions. The executive orders may make it more difficult for congress to agree and approve a deal, and may not be fully implemented due to legal and other challenges in some states.

### US Unemployment Rate (%)



Source: U.S. BUREAU OF LABOR STATISTICS, Emirates NBD Research

### Today's Economic Data and Events

	Time	Cons.		Time	Cons.
US JOLTs Job Openings June	18:00	n.a			

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

A string of better than expected US data—non-farm payrolls, the ISM indexes for manufacturing and the services sector—helped to put a floor under the relentless push downward in UST yields last week. Treasuries were lower across nearly the whole curve last week with 2yr yields gaining more than 2bps to close at 0.13% and UST 10yr yields up almost 4bps, settling at 0.56%. The 2yr note appears to have found support at around 0.11%, bouncing off that level to close just shy of 0.13% following Friday's jobs report while on the 10yr yields have so far resisted pushing to 0.5%.

European bond markets also fell last week with yields on 10yr bunds settling at -0.51%, up from -0.52% a week earlier while 10yr gilt yields added more than 3bps to close at 0.137%.

Emerging market USD-bonds extended their gains, up by nearly 1% last week while spreads over USTs fell back to February levels at 362bps. Local currency EM debt has underperformed USD EM bonds, slipping by almost 2% ytd compared with a near 4% gain in hard currency debt. However, EM central banks still have space to cut rates further—the Central Bank of Brazil cut this last week while the Bank of Mexico is expected to cut by 50bps later this week—implying that there may be some catch up available for local currency bonds.

## Equities

Global equities enjoyed a largely positive week last week, led by the Dow in the US which gained 3.8%. This outpaced the 2.5% w/w gain in the S&P 500, but notably the benchmark index is now within touching distance of the all-time high it hit in February, prior to the pandemic-driven sell-off. It closed on Friday at 3,351, just off the record 3,386. All eyes will remain on the potential fiscal support package this week. European equities also closed higher, with the CAC, FTSE 100 and DAX gaining 2.2%, 2.3% and 2.9% w/w respectively despite fairly muted trading at the close of the week.

Asian equities did not perform as strongly, as US President Donald Trump's moves against Chinese social media apps prompted wider sell-offs. The Hang Seng closed down 0.3% w/w after losing 1.6% on Friday, although the Shanghai Composite managed to eke out a 1.3% w/w gain despite a 1.0% sell-off on Friday.

## FX

The dollar managed to snap six weeks of consecutive declines last week although the DXY index rose just 0.09%, hardly an overwhelming endorsement that the rout in the greenback is over. Currency moves over the course of last week were relatively modest. Sterling was among the largest movers, declining by 0.25% to settle the week at 1.3052 against the dollar while both the EUR and JPY were largely flat on a weekly basis.

In emerging markets TRY hit a new record low against the dollar last week, hitting 7.2796 at the close despite the central bank cutting off access to lower cost one-week funding. Elsewhere in emerging markets ZAR fell by 3.2% last week to 17.64 against the USD while INR was slightly softer.

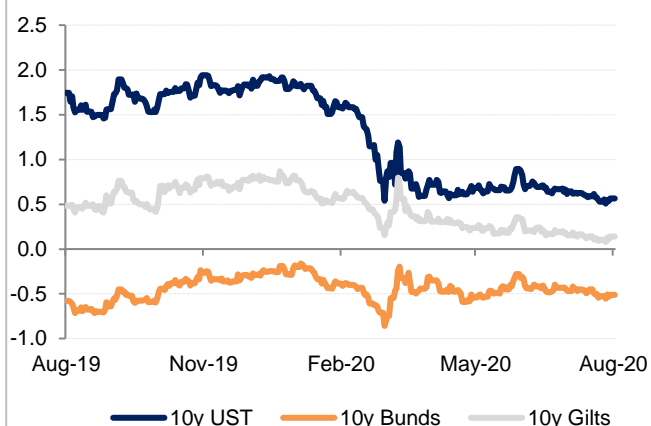
## Commodities

Oil prices managed to settle higher last week even as markets sagged at the end of the week in response to a stronger dollar. Brent futures closed up 2.5% at USD 44.40/b while WTI closed the week at USD 41.22/b, a gain of 2.4%. Brent prices had managed to hit USD 45/b mid-week, their highest level since March but current prices around USD 44/b for Brent represent a 50% retracement of the peak-to-trough move so far in 2020 and may be a substantial barrier if no further supportive fundamentals are forthcoming.

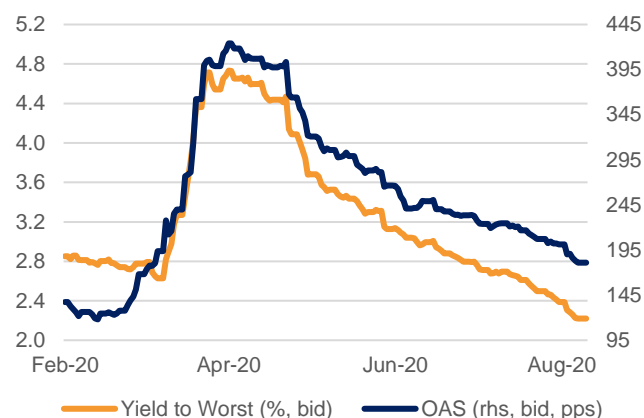
Markets will turn to OPEC, the IEA and EIA for their monthly assessments of oil market conditions this week. Of note will be the outlook for supply heading into 2021 and whether OPEC+ can maintain its schedule of tapering production cuts while other producers are out of the market. Last month the IEA revised its demand expectations for 2020 up by 400k b/d—but still anticipated a decline of almost 8m b/d y/y.

## Markets in Charts

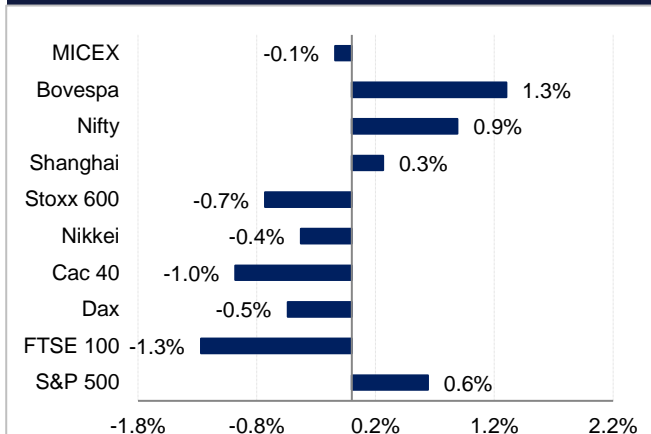
### Global Bond Yields



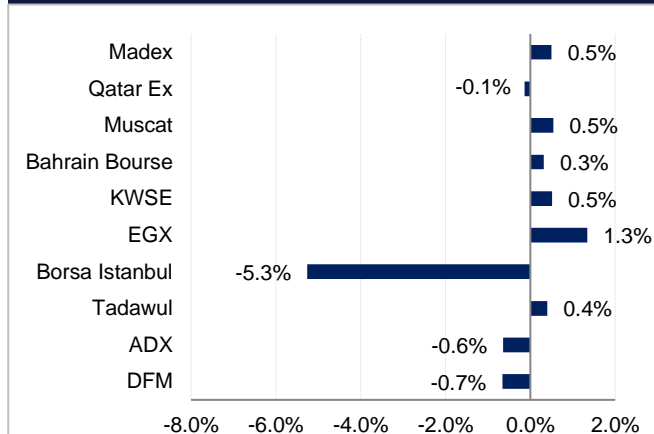
### UAE liquid bond index



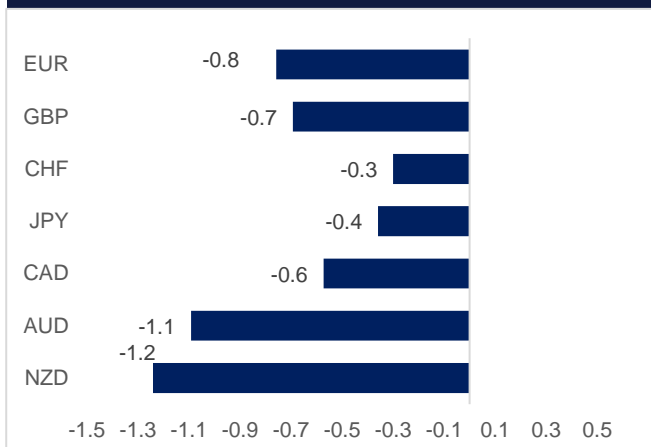
### Global Equity Indices



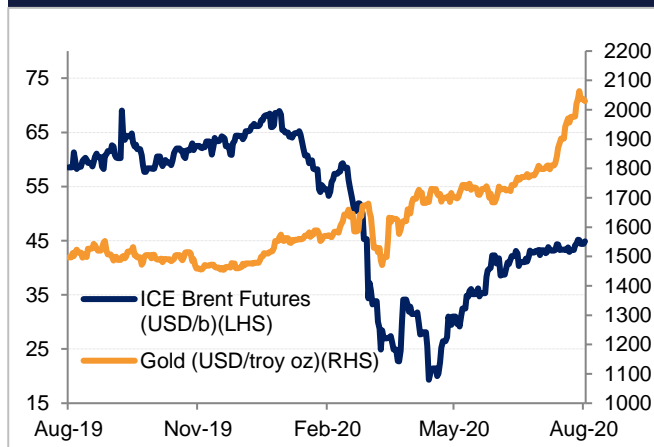
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1787	-0.76	1.1879	USDTRY	7.2796	+0.36	EURAED	4.3291	-0.76
GBPUSD	1.3052	-0.69	1.3070	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.7944	-0.68
USDJPY	105.92	+0.35	105.34	USDSAR	3.7504	-0.00	JPYAED	0.0347	-0.36
USDCAD	1.3384	+0.58	1.3384	USDQAR	3.6800	+1.06	CADAED	2.7443	-0.57
AUDUSD	0.7157	-1.09	0.7158	USDKWD	#N/A N/A	#VALUE!	AUDAED	2.6290	-1.08
USDCHF	0.9124	+0.29	0.9030	USDBHD	0.3770	--	CHFAED	4.0255	-0.29
EURGBP	0.9031	-0.07	0.9089	USDOMR	0.3850	--	TRYAED	0.5100	+0.71
USDAED	3.6730	--	3.6778	USDINR	74.9350	+0.01	INRAED	0.0552	+12.62

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2802	0.4625	0.6426	0.8468	USD 2 yr	0.212	+1
USD LIBOR	0.1634	0.2525	0.3091	0.4490	USD 5 yr	0.295	+2
GBP LIBOR	0.0608	0.0726	0.1240	0.2866	USD 10 yr	0.577	+4
JPY LIBOR	-0.0713	-0.0523	-0.0280	0.1055	EUR 2 yr	-0.422	+1
CHF LIBOR	-0.7788	-0.7008	-0.6504	-0.5202	EUR 5 yr	-0.381	+1
					EUR 10 yr	-0.222	+2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	2035.55	-1.36	ADGB 2.50 25	0.99	-1	Abu Dhabi	51	-1
Silver	28.30	-2.15	DUGB 3.89 25	1.26	-1	Bahrain	313	+3
Oil (WTI)	41.22	-1.74	QATAR 3.4 25	0.97	-11	Dubai	171	+1
Aluminium	1735.05	-0.38	US Tsy 2 yr	0.13	+1	Oman	477	+31
Copper	6308.00	-2.65	US Tsy 10 yr	0.56	+3	Qatar	50	+1
						Saudi Arabia	88	-2

Source: Bloomberg, Emirates NBD Research

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