



بنك الإمارات دبي الوطني
Emirates NBD

Daily
18 August 2020

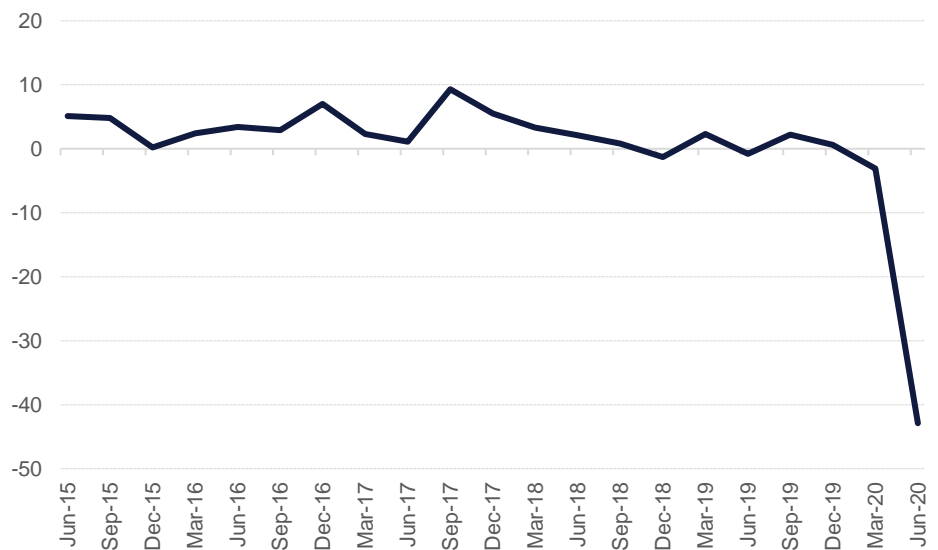
Daily Outlook

Markets were generally short on data overnight but managed to display a modest risk-on bias with major equity benchmarks ending the day higher and the dollar edging lower once again. Focus remains on Washington, DC where Republicans have introduced a revised stimulus plan that would include some funding for the US Postal Service, a political hot potato at the moment. However, the plan is reportedly smaller than the one Republicans initially proposed at the end of July so is likely to find little support among Democrats.

Chinese assets rallied strongly overnight in response to new monetary stimulus measures taken by the PBOC. The central bank added around USD 100bn of liquidity to the banking system via its medium-term lending facility but maintained policy rates unchanged. China's economy has been showing signs of recovery from the impact of coronavirus but the central bank has been wary of adding too much leverage into the financial system.

Singapore added to its fiscal stimulus measures, announcing a SGD 8bn top up that will extend wage support and will target the airline and hospitality sectors. Singapore has so far committed around SGD 100bn in support to the economy in the form of healthcare and wage subsidies as well as tax relief. The economy contracted by almost 43% on an annualized basis in Q2 and the government expects a recession somewhere between -5% to -7% in 2020.

Singapore annualized GDP (%)



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
US housing starts	16:30	1.2m	US building permits	16:30	1.3m

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasury markets were mixed to start the week with UST sinking in the belly of the curve but rallying further out. Yields on 2yr USTs rose slightly to settle a little above 0.15% while 10yr UST yields fell 2bps to move back below 0.7% and settle at 0.688%.

European bond markets were broadly higher with yields on gilts, bunds and French bonds all falling by around 3bps. EM USD bonds closed slightly lower on the day.

Fitch lowered its rating on Oman to 'BB-', bringing the sovereign rating in line with both S&P and Moody's. Fitch noted Oman's heavy funding needs over the next few years in support of the downgrade and noted that any support from other GCC counties was "uncertain" amid their own fiscal plans.

FX

The dollar fell for a fourth consecutive session on Monday. The DXY index slipped by -0.45% to fall below the 93 handle with further losses this morning as well to trade at 92.670 amid disappointing US manufacturing data. USDJPY also declined amid broad-based dollar weakness to settle at a 106 handle. This comes in spite of Japan's annualized GDP reaching a record low of -27.8%. The 38.2% one-year Fibonacci retracement of 105.41 may offer some support, but the pairing remains at risk of falling further.

Euro continued to advance, up 0.2% overnight to settle at 1.1870 against the dollar. Sterling experienced some particularly choppy movement, but recorded modest gains of +0.13. The pound is nearing a five-month high against the dollar, with a golden cross confirmed this morning, signalling further gains in the near future. The AUD has crossed the 0.72 barrier and currently trades at 0.7214. The NZD however was largely unchanged for the day at 0.6540. Speculation grows over the possibility that the RBNZ will implement negative interest rates.

Equities

The Shanghai Composite led the charge at the start of the week, closing 2.3% higher compared to Friday and hitting its highest levels since January 2018 after the government announced USD 101bn of fresh stimulus. The delay to phase one negotiations with the US, allowing China more time to hit its targets, may well have also contributed and the index continues to move higher in early morning trading today.

Elsewhere, gains were more muted as summer trading collides with a wait-and-see regarding renewed US fiscal support. The S&P 500 gained 0.3% (failing to hit a record high once again), while in Europe the FTSE 100 was the primary mover, gaining 0.6% as house builders benefitted from a positive housing story. In Spain, however, the IBEX closed down 0.9% on the back of new German travel restrictions.

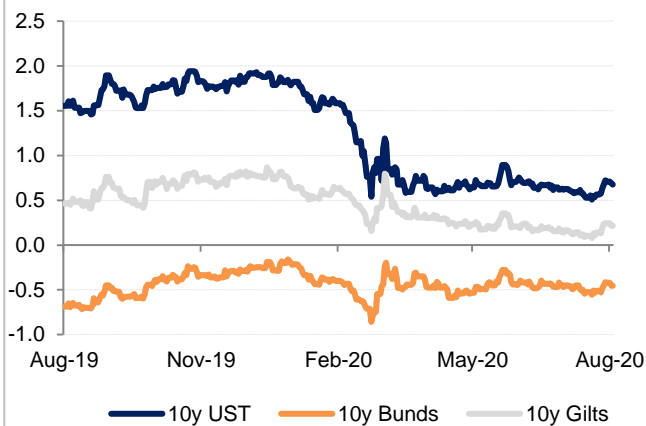
Commodities

Oil prices started off the week strongly with gains in both WTI and Brent futures. Brent closed up at USD 45.37/b, a gain of 1.3% while WTI added more than 2% to close at USD 42.89/b. Markets will be watching the OPEC+ joint market monitoring committee later this week for its review of the current level of production cuts and any adjustments that the bloc may enact.

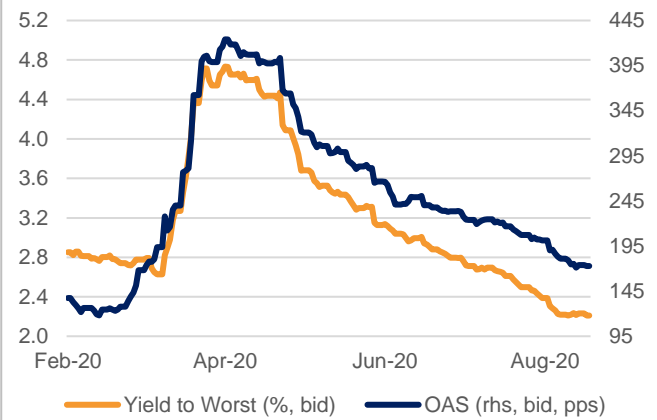
In its latest drilling productivity report the EIA estimated that output from shale basins in the US would fall by 19k b/d to 7.56m b/d in September. Most of the declines in shale activity took place in April-May when 2.4m b/d came out of production.

Markets in Charts

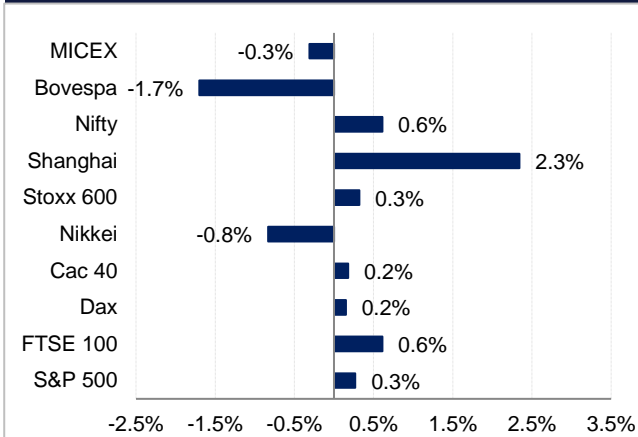
Global Bond Yields



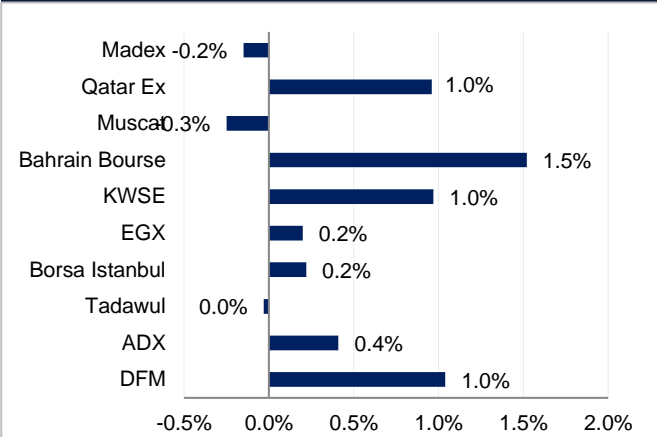
UAE liquid bond index



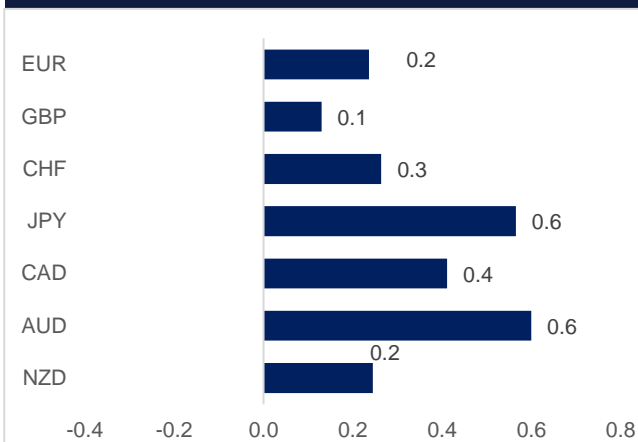
Global Equity Indices



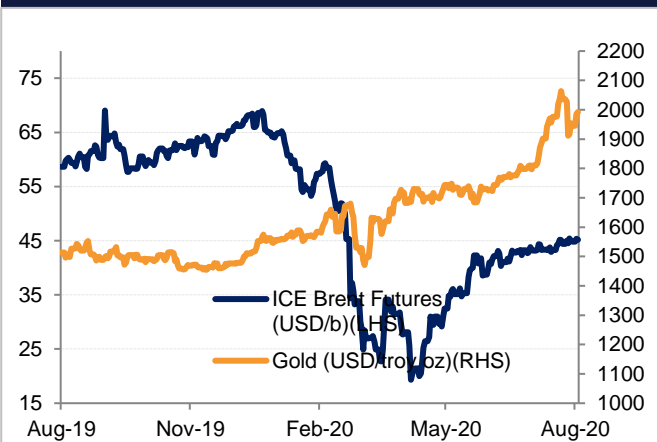
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1870	+0.24	1.1964	USDTRY	7.3821	+0.16	EURAED	4.3600	+0.24
GBPUSD	1.3103	+0.13	1.3125	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.8132	+0.15
USDJPY	106.00	-0.56	105.38	USDSAR	3.7503	+0.00	JPYAED	0.0347	+0.56
USDCAD	1.3215	-0.38	1.3212	USDQAR	3.6800	+1.05	CADAED	2.7795	+0.40
AUDUSD	0.7214	+0.60	0.7215	USDKWD	0.3057	-0.03	AUDAED	2.6500	+0.62
USDCHF	0.9066	-0.27	0.8972	USDBHD	0.3770	+0.01	CHFAED	4.0512	+0.26
EURGBP	0.9059	+0.11	0.9115	USDOMR	0.3850	-0.00	TRYAED	0.5000	+0.33
USDAED	3.6730	--	3.6777	USDINR	74.8862	-0.02	INRAED	0.0552	+12.62

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2971	0.4800	0.6618	0.9348	USD 2 yr	0.229	-0
USD LIBOR	0.1515	0.2704	0.3325	0.4609	USD 5 yr	0.340	-1
GBP LIBOR	0.0571	0.0715	0.1251	0.2720	USD 10 yr	0.678	-3
JPY LIBOR	-0.0855	-0.0545	-0.0205	0.1068	EUR 2 yr	-0.421	-1
CHF LIBOR	-0.7800	-0.7074	-0.6534	-0.5130	EUR 5 yr	-0.370	-2
					EUR 10 yr	-0.185	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1985.30	+2.07	ADGB 2.50 25	1.14	+9	Abu Dhabi	48	-1
Silver	27.49	+3.93	DUGB 3.89 25	1.33	+2	Bahrain	306	+1
Oil (WTI)	42.89	+2.09	QATAR 3.4 25	1.24	-0	Dubai	163	+1
Aluminium	1718.75	+0.50	US Tsy 2 yr	0.15	+1	Oman	461	-1
Copper	6450.75	+1.14	US Tsy 10 yr	0.69	-2	Qatar	47	-1
						Saudi Arabia	86	+1

Source: Bloomberg, Emirates NBD Research

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