



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

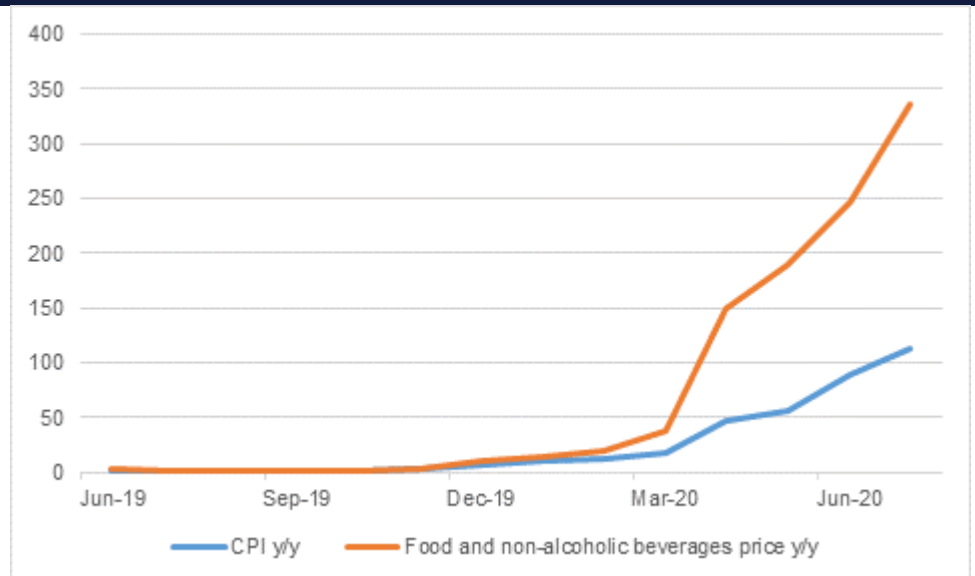
US durable good orders surged 11.2% m/m in July, well above consensus estimates of a 4.8% increase. However this was mostly due to a sharper than expected rebound in transport orders. Excluding the volatile transport component, durable goods orders rose 2.4% last month, still slightly higher than forecast. **The focus today will be on Jackson Hole, where Fed Chairman Powell is expected to discuss the Federal Reserve's monetary policy framework review.** In particular, the market is looking for indications that the FOMC may shift to an average inflation target, which would allow monetary policy to remain looser for longer, even as inflation moves above the 2% mark.

China's industrial profits rose 19.6% y/y in July, up from 11.5% y/y in June. This likely reflects a continued recovery in exports and easing producer price inflation pressures. Separately, tension between the US and China flared again over the South China Sea, as China launched ballistic missiles yesterday during the course of scheduled military exercises in the area, while the US announced new trade and visa restrictions on 24 companies it claims have helped China in its efforts to reclaim outposts in the area.

UAE consumer prices rose 0.3% m/m in June but were down -2.4% y/y. The rate of deflation eased from -2.7% y/y in May. Food inflation slowed to 5.7% y/y in June while housing and utilities costs fell -3.0% y/y, the slowest rate of decline since May 2018.

The collapse of Lebanon's currency in the midst of the various crises ongoing in the country has pushed price growth to stratospheric levels. Annual CPI inflation hit 112.4% y/y in July, compared to 89.7% in June. Most concerning for social stability is the rise in food prices, which increased by 336.2% y/y, up from 246.6% the previous month. The more-than-threefold rise in food prices will likely have been compounded still further by the huge explosion which destroyed parts of Beirut this month, and inflation will likely push higher still over the next several months.

Lebanon: Inflation exceeds 100% y/y in July



Source: Haver Analytics, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
EC M3 Money Supply	12:00	9.2%	US Q2 GDP (second estimate)	16:30	-32.5%
US Initial Jobless Claims	16:30	1000k	US Continuing Claims	16:30	14400k
Jerome Powell address at Jackson Hole summit	17:10		US Pending Home Sales m/m	18:00	2.0%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries were broadly unchanged as the market awaits the central bank symposium held at Jackson Hole today and tomorrow. Expectations are for a new inflation targeting strategy from the Fed with the implication that rates may be on hold for several years. Yields on 2yr USTs closed at 0.1504% while on the 10yr they settled at 0.689%.

A broader risk-on rally failed to lift EM USD bonds. The Bloomberg Barclays index of USD EM bonds closed lower overnight, stabilizing around a recent plateau. Spreads over treasuries have also come up against some resistance, holding close to 360bps.

FX

Most major currencies have been trading in a fairly tight range this week. Despite moving upwards in the afternoon, the dollar's DXY index has reversed all of its gains holding firm around 92.940. Similarly the USDJPY pairing has struggled to hold onto its advancements earlier in the week, dropping by -0.38% to reach 106.

The euro recouped its losses, briefly falling to a daily low of 1.1773, and now trades at 1.1825. Sterling is trading at 1.3200, an increase of 0.35%, as investors shrug off Brexit concerns for now. Meanwhile the AUD and NZD advanced the most amongst major currencies, increasing by 0.55% and 0.50% to trade at 0.7230 and 0.6620 respectively.

Equities

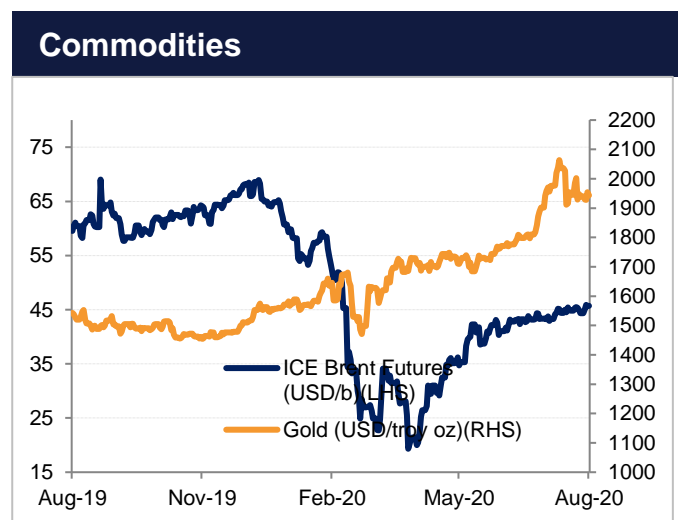
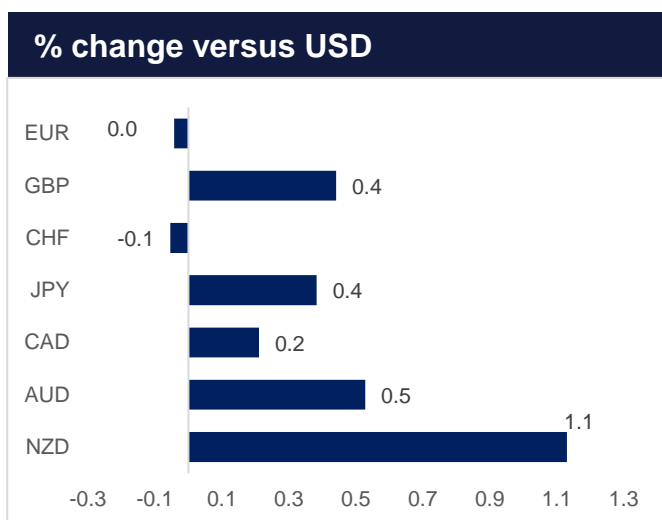
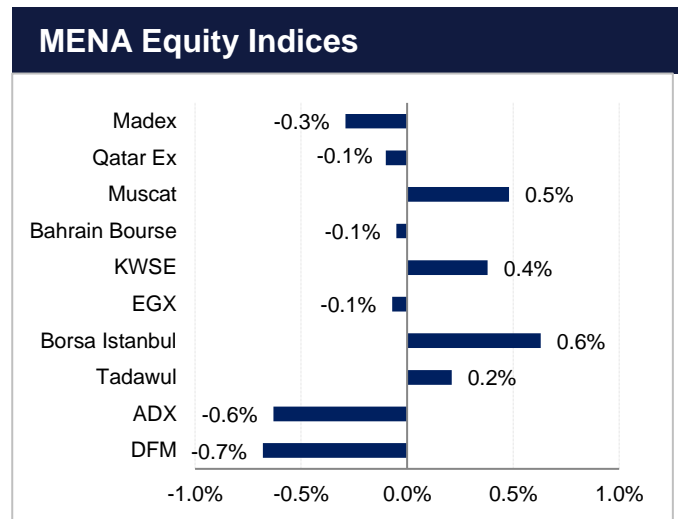
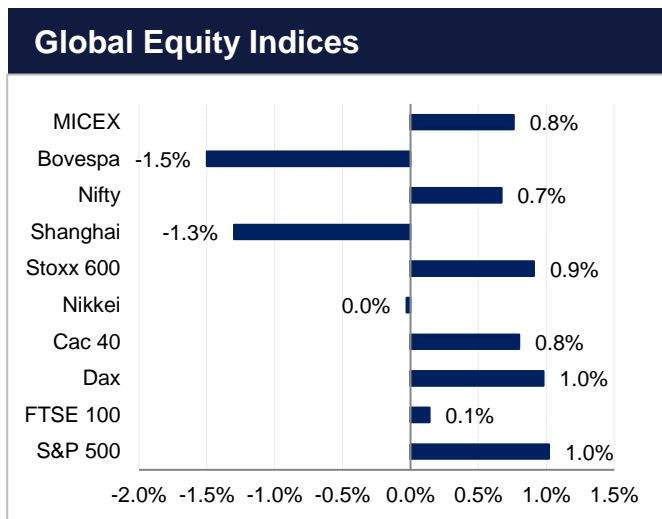
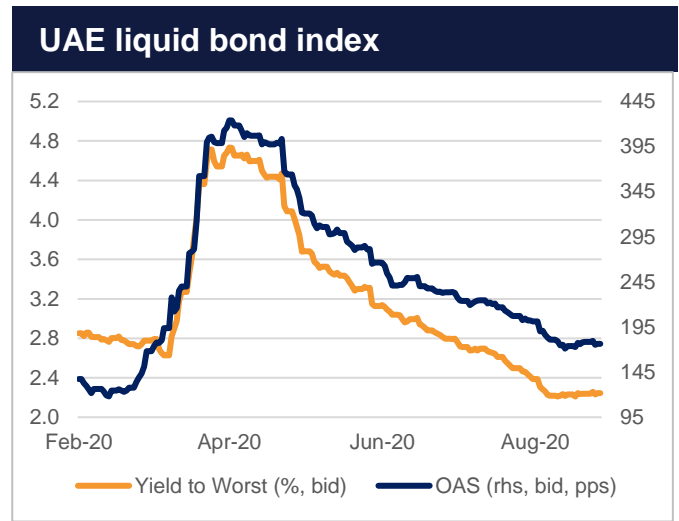
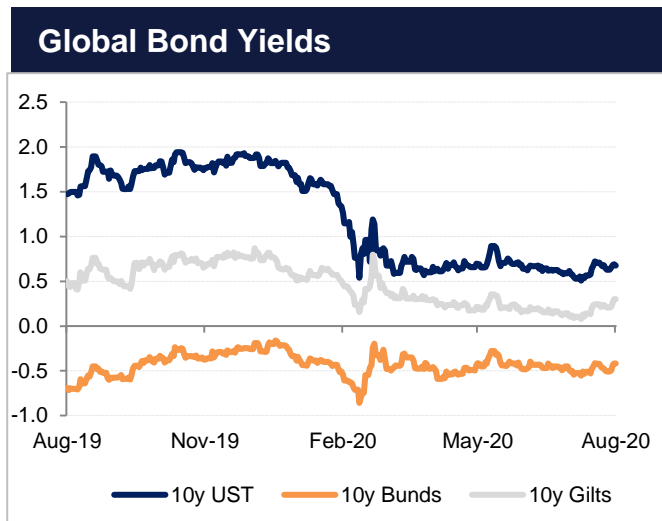
US equity indices continued to post new record heights yesterday, on the back of better-than-expected durable goods orders and ahead of what is expected to be a market-friendly address by Fed Chair Jerome Powell at Jackson Hole this week. The S&P 500 added 1.0% and the Dow 0.3%, while the technology-heavy NASDAQ closed 1.7% higher and is now up 30.0% ytd with any pandemic-related losses now well behind it. The optimism was broadly felt in Europe also, as the DAX and the CAC close up 1.0% and 0.8% respectively, although the FTSE 100 was more muted, gaining only 0.1%.

Commodities

A combination of Hurricane Laura and a reasonably bullish EIA stats report failed to liven up oil markets. Brent futures settled lower by 0.5% at USD 45.64/b while WTI closed virtually unchanged at USD 43.39/b. Hurricane Laura poses a direct risk to a substantial portion of the refining and petrochemical infrastructure in the US and has helped to push gasoline futures higher. Substantial flooding as a result of the hurricane may also delay refinery restarts and push back on crude demand.

Inventories in the US were down by 6.5m bbl last week, according to the latest EIA data while gasoline stocks drew by 4.6m bbl. Production ticked higher by 100k b/d while product supplied recovered by almost 2.5m b/d with gains across the barrel.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1830	-0.04	1.1925	USDTRY	7.3680	-0.30	EURAED	4.3455	-0.03
GBPUSD	1.3210	+0.44	1.3232	USDEGP	15.8764	-0.11	GBPAED	4.8520	+0.45
USDJPY	105.99	-0.38	105.40	USDSAR	3.7505	--	JPYAED	0.0347	+0.38
USDCAD	1.3143	-0.23	1.3140	USDQAR	3.6800	+1.06	CADAED	2.7944	+0.21
AUDUSD	0.7233	+0.53	0.7235	USDKWD	0.3058	--	AUDAED	2.6568	+0.53
USDCHF	0.9083	+0.07	0.8987	USDBHD	0.3770	+0.00	CHFAED	4.0437	-0.06
EURGBP	0.8956	-0.48	0.9012	USDOMR	0.3850	--	TRYAED	0.5000	+0.60
USDAED	3.6729	-0.00	3.6770	USDINR	74.3000	-0.04	INRAED	0.0552	+11.74

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.3031	0.4742	0.6958	0.7513	USD 2 yr	0.233	+0
USD LIBOR	0.1703	0.2510	0.3081	0.4400	USD 5 yr	0.344	+0
GBP LIBOR	0.0546	0.0678	0.1150	0.2420	USD 10 yr	0.692	+1
JPY LIBOR	-0.0757	-0.0543	-0.0413	0.1052	EUR 2 yr	-0.429	+1
CHF LIBOR	-0.7822	-0.7196	-0.6682	-0.5244	EUR 5 yr	-0.364	+1
					EUR 10 yr	-0.160	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1954.46	+1.36	ADGB 2.50 25	1.08	-5	Abu Dhabi	47	-1
Silver	27.50	+3.64	DUGB 3.89 25	1.32	-2	Bahrain	326	1
Oil (WTI)	43.39	+0.09	QATAR 3.4 25	1.17	-1	Dubai	166	+1
Aluminium	1740.00	+0.29	US Tsy 2 yr	0.15	+0	Oman	456	-2
Copper	6615.00	+1.05	US Tsy 10 yr	0.69	+0	Qatar	46	-1
						Saudi Arabia	83	-3

Source: Bloomberg, Emirates NBD Research

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