



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

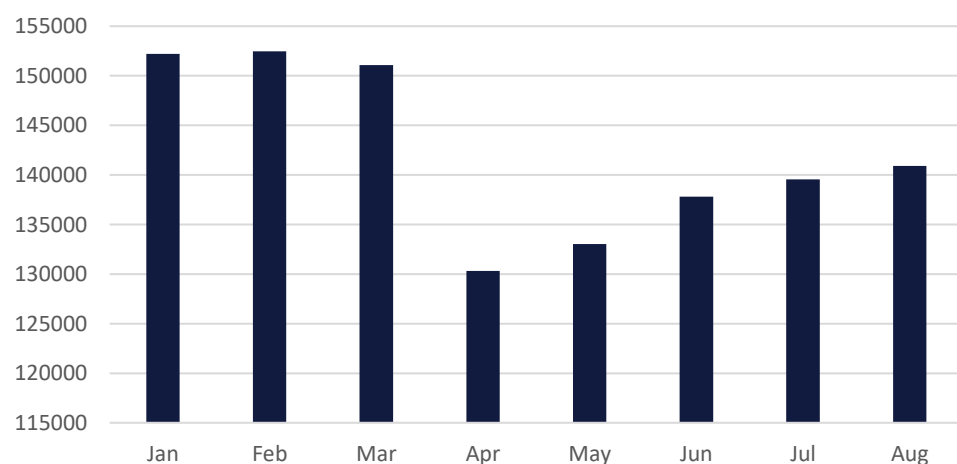
Employment in the US rose by a higher than expected 1.37mn new jobs last month, helping the unemployment rate down to 8.4% from a pandemic-peak of 14.7% in April. The August reading was boosted by the temporary hiring of 238k census workers. The drop in the unemployment rate was particularly encouraging considering that 1mn more people started looking for work in August after generous federal unemployment benefits expired at the end of July. While more than half the workers who lost their jobs in March and April are still unemployed and the number of “permanent job losers” has increased, the data suggests that the economic recovery in the US continued in August, despite Congress failing to pass a new stimulus package.

Data released at the end of last week confirmed the Eurozone recovery slowed in August, as the number of coronavirus cases increased and some localised restrictions were re-imposed. The final composite PMI reading fell to 51.9 from 54.9 in July with the services sector weighing on the composite. The readings for Italy and Spain fell back into contraction territory. **Retail sales were also much weaker than expected,** declining -1.3% m/m (0.4% y/y) in July against a consensus forecast of 1.0% m/m and -1.9% y/y. Again the weakness was more pronounced in the southern countries. The focus this week will be on the ECB meeting (rate announcement scheduled on Thursday), particularly following last week’s soft economic data, the drop in headline inflation below zero and the recent strength in the euro. Analysts expect ECB president Lagarde to strike a dovish tone but hold off on easing monetary policy further this week.

Brexit talks are set to resume this week, with both sides blaming the other for the lack of progress so far. With time running out for a broad trade deal to be agreed, the more likely outcome is now a last-minute narrow trade agreement on key sectors by the end of this year.

In the GCC, Bahrain has re-opened to tourists and non-residents, with all arrivals required to take a PCR test and quarantine until a negative result is received.

US non-farm payrolls beats forecasts in August ('000)



Source: US Bureau of Labor Statistics, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
Germany Industrial Prodn m/m	10:00	4.5%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

While US treasury yields fell alongside the equity rout which began on Thursday, positive economic data on the Friday served to push yields back up once again. US labour market data showed that the unemployment rate has fallen back to single digits at 8.4%, beating expectations of 9.8%. The 10-year gained 8.3bps to close the week at 0.718%, broadly flat on the previous week.

FX

The dollar experienced some positive movement last week. The DXY index, a measure of the dollar against a basket of major competitors, advanced by 0.65% and closed at 92.976. This was the largest weekly increase for the currency since mid-June. USDJPY has been recovering after the resignation of Japanese PM Shinzo Abe, and the Fed's policy shift. The pairing rallied by 0.83% to settle at 106.24. There was a momentary break above the 50-day moving average of 106.43, which was quickly reversed, but it still remains as the next key indicator to monitor.

Broad-based dollar strength has weighed on its competitors. The euro declined by -0.55% to close at 1.1838 after touching a high of 1.2011, its highest point since May 2018. ECB members stating that they were worried about the strength of the currency contributed to a sharp reversal. Similarly sterling declined by -0.54% to settle at 1.3280 after reaching a yearly high of 1.3482. The AUD fell dramatically over the week, slipping by -1.14% to close at 0.7282 following the news that the Australian economy was officially in recession, whilst the NZD declined by -0.33% to reach 0.6721.

Equities

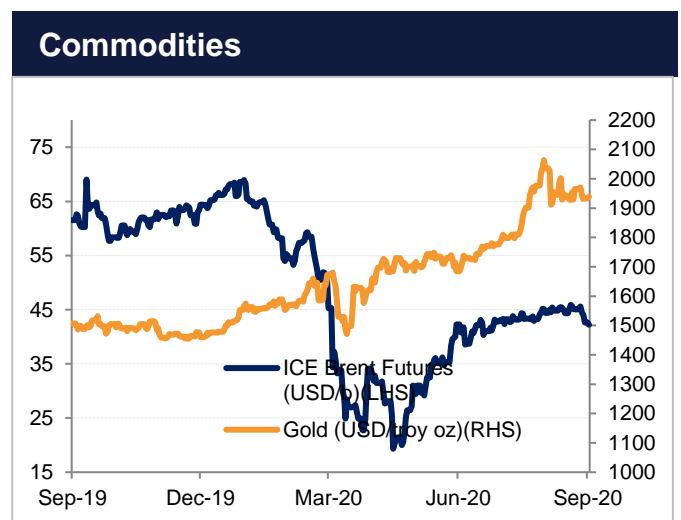
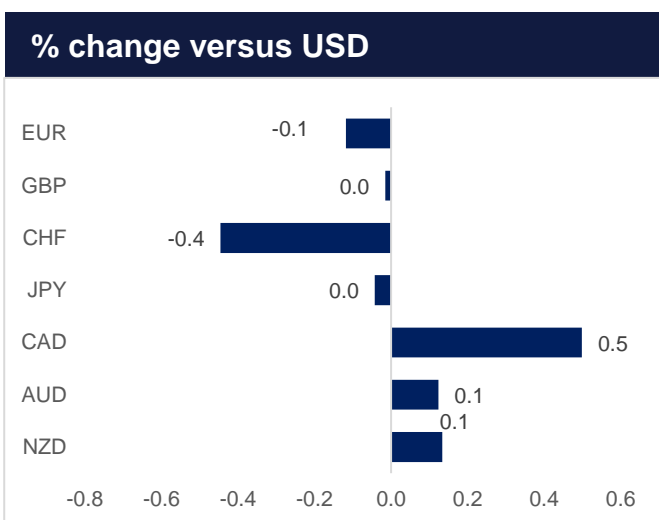
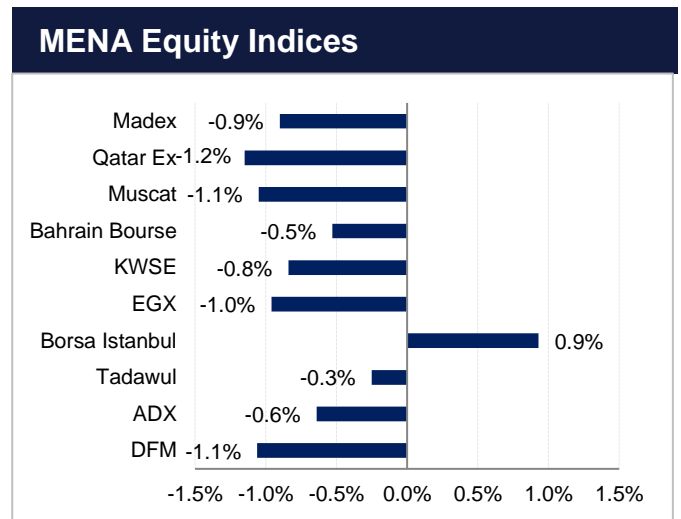
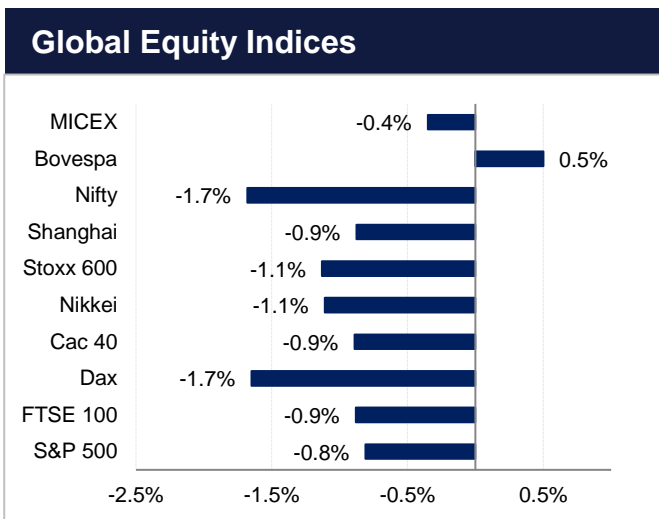
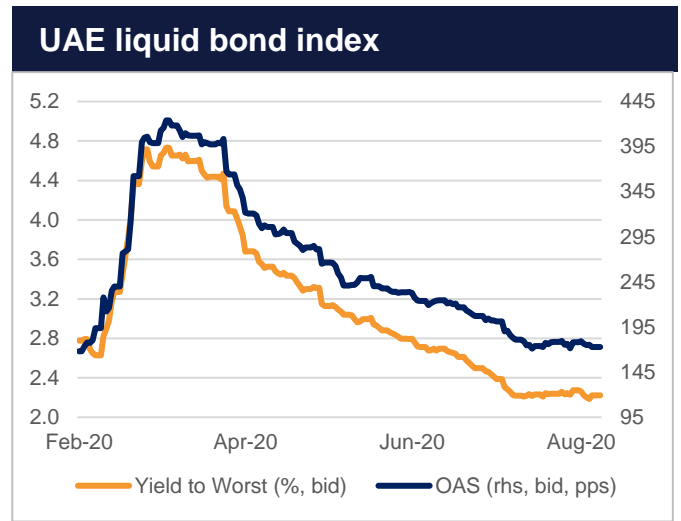
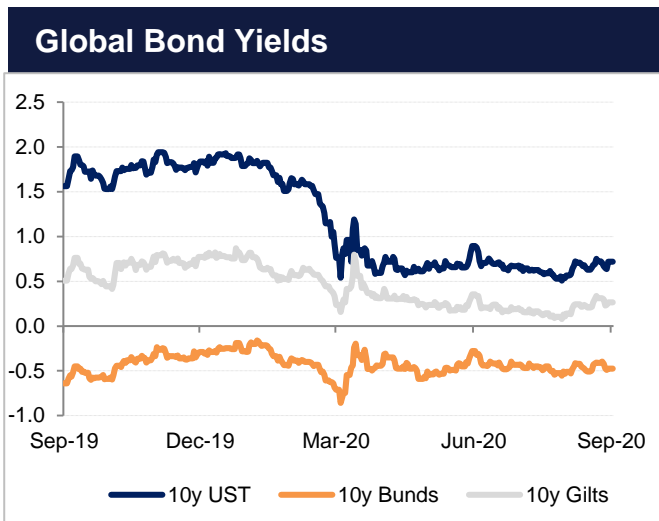
Global equities sold off at the close of last week, with few major indices immune from the selling pressure. The tech sector led the rout which began on Thursday, likely owing to some profit-taking following the extraordinary gains seen in tech stocks over the previous several weeks. As such, the tech-heavy NASDAQ was one of the biggest losers, dropping -3.3% on the week, while the S&P 500 and the Dow Jones lost -2.3% and -1.8% respectively. In Europe, the FTSE 100 continues to be the major underperformer, and it lost -3.4% w/w compared to the DAX's -1.5% and the CAC's -0.8%. The FTSE is still down -23.1% ytd, with only Russia's MSCI having performed worse (-27.5% ytd) among major equity indices.

Local stock markets were among the few to post gains last week, as the DFM climbed 0.6%, the AD5M 0.4% and the Tadawul 1.4%. Japanese indices also climbed higher as they recovered from the resignation of Prime Minister Shinzo Abe at the close of last week. The Nikkei gained 1.4% w/w and the Topix 0.7%, though they too were in the red on Friday.

Commodities

Oil markets were not impervious to the selling pressure at the close of the week, as WTI futures lost 7.5% w/w to close at USD 39.8/b, the first time the benchmark had closed under USD 40.0/b since June. Brent futures lost 5.3% - the biggest weekly loss in months - to finish the week at USD 42.7/b. The end of the traditional US driving season - which has been a fairly muted one this year in any case - combined with ongoing questions regarding the strength of the global economic recovery have raised downward pressure on prices. This is despite Saudi Arabia reportedly cutting its exports to the US to just 177,000 b/d in August compared to as much as 1.3mn b/d in April in a bid to draw down its inventory. Meanwhile, Saudi Arabia has cut its pricing for October sales to both the US and Asia, implying it holds concerns regarding ongoing demand strength.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1838	-0.12	1.1938	USDTRY	7.4383	+0.08	EURAED	4.3482	-0.11
GBPUSD	1.3279	-0.02	1.3304	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.8772	-0.02
USDJPY	106.24	+0.05	105.61	USDSAR	3.7506	--	JPYAED	0.0346	-0.05
USDCAD	1.3062	-0.50	1.3059	USDQAR	3.6800	+1.05	CADAED	2.8118	+0.49
AUDUSD	0.7282	+0.12	0.7285	USDKWD	#N/A N/A	#VALUE!	AUDAED	2.6746	+0.11
USDCHF	0.9135	+0.45	0.9036	USDBHD	0.3770	--	CHFAED	4.0208	-0.45
EURGBP	0.8915	-0.11	0.8973	USDOMR	0.3850	--	TRYAED	0.4900	-0.85
USDAED	3.6730	--	3.6765	USDINR	73.1413	-0.46	INRAED	0.0552	+10.36

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2875	0.4906	0.6319	0.7004	USD 2 yr	0.231	+1
USD LIBOR	0.1543	0.2480	0.2921	0.4210	USD 5 yr	0.365	+4
GBP LIBOR	0.0540	0.0668	0.1224	0.2191	USD 10 yr	0.725	+7
JPY LIBOR	-0.0970	-0.0762	-0.0452	0.0910	EUR 2 yr	-0.469	-0
CHF LIBOR	-0.7912	-0.7348	-0.6886	-0.5456	EUR 5 yr	-0.408	+1
					EUR 10 yr	-0.190	+3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1933.94	+0.16	ADGB 2.50 25	1.08	+0	Abu Dhabi	45	--
Silver	26.91	+1.22	DUGB 3.89 25	2.46	--	Bahrain	297	-3
Oil (WTI)	39.77	-3.87	QATAR 3.4 25	1.15	+1	Dubai	145	--
Aluminium	1750.25	+0.32	US Tsy 2 yr	0.14	+2	Oman	429	-2
Copper	6729.50	+2.36	US Tsy 10 yr	0.72	+8	Qatar	44	--
						Saudi Arabia	83	+1

Source: Bloomberg, Emirates NBD Research

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