



بنك الإمارات دبي الوطني
Emirates NBD

Daily
28 September 2020

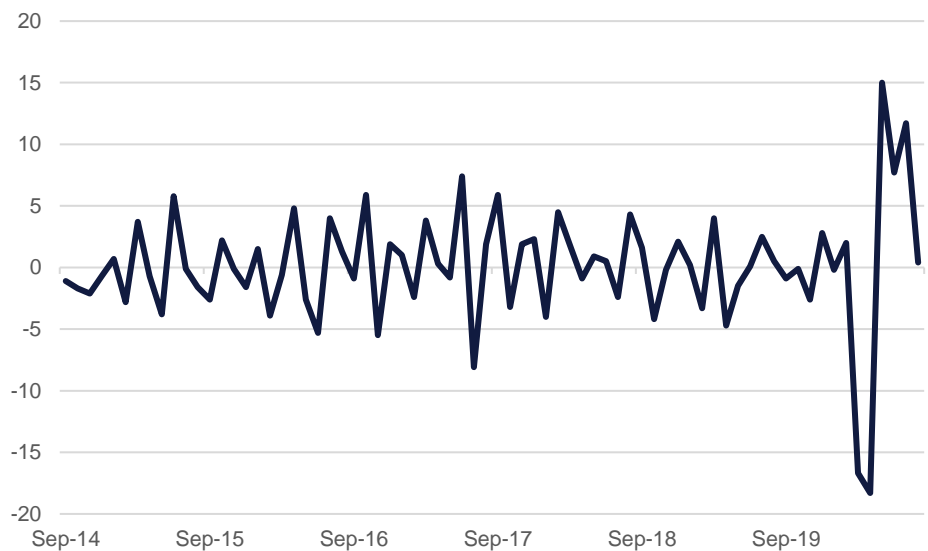
Daily Outlook

In the UK, Chancellor of the Exchequer Rishi Sunak unveiled his winter plan for helping the economy weather the resurgent Covid-19 crisis in the UK, where new case numbers are surging once again and an increasingly large share of the population has come back under movement restrictions. The furlough scheme will be replaced by plans to cover up to two-thirds of workers' hours in what he termed 'viable jobs'. Other support measures, such as the 15% VAT cut for the hospitality sector, will be extended. These measures will weigh further on the budget balance. According to figures released on Friday, UK government borrowing in August was the third-highest since records began in 1993, and UK public debt has risen to the equivalent of 101% of GDP – the first time the debt load has been greater than the size of the economy since 1963.

Data out of the US at the close of last week indicated that the recovery is slowing from the post-lockdown resurgence seen earlier in the summer. Durable goods orders rose just 0.4% m/m, missing expectations of 1.5%, and markedly slower than the upwardly revised 11.7% seen in July. That said, the ailing aerospace sector weighed on the headline figure, and orders for non-defence capital goods excluding aircraft rose 1.8% m/m. In other data released last week, initial jobless claims came in at 870,000 in the week ended September 19, illustrating that despite the nascent recovery in the US, it has largely been jobless to date, and the labour market remains a parlous one. Meanwhile, tensions between the US and China continue to make headlines, as the US has imposed export sanctions on Chinese firm Semiconductor Manufacturing International Corp, meaning that US companies will need a license to sell it certain products.

The Turkish central bank hiked its one-week repo rate by 200 basis points at its MPC meeting on Thursday. This takes the benchmark interest rate to 10.25%. The TCMB further tightened liquidity by limiting access to this rate to just TRY 5bn at its auction on Friday, meaning lenders had to use the bank's costlier rates of borrowing.

Durable goods new orders (m/m) slow in August



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

| | Time | Cons. | | Time | Cons. |
|---------------------------|-------|-------|--|------|-------|
| Dallas Fed Manf. Activity | 18:30 | 9.5 | | | |

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Benchmark government bonds last week held to the ranges that they have spent most of September trading within. Yield on 10yr USTs closed at 0.6544%, a drop of around 4bps over the course of the week while moves in gilts and JGBs over the five days were even more muted. Markets will be watching the release of the September non-farm payrolls numbers in the US for the next directional push; consensus is for an increase of around 850k jobs and a dip in the unemployment rate to 8.2%.

Emerging market bonds fell last week and have declined for seven days in a row (USD EM bonds). As investors recalibrated positions and risk appetite ahead of month and quarter end emerging market bonds appear to be paying the price. Outside of USD-denominated assets, the Reserve Bank of India holds its policy meeting this week with consensus expectation for a hold at 4.00%. We have tempered our view for cuts from the RBI to one 25bps by year end as the bank will be keeping an eye on still elevated inflation levels. Bangko Sentral ng Pilipinas (the central bank of the Philippines) is also expected to keep rates on hold this week. In the region, Egypt is preparing a green bond, according to the Finance Ministry. It would be Egypt's first specific environmental oriented issuance and would finance as much as USD 1.9bn of green projects. Elsewhere, S&P affirmed their rating on Saudi Arabia at 'A-' with a stable outlook.

FX

Last week the USD experienced its best winning streak since April. The DXY index rallied by 1.8%, climbing comfortably above the 94 handle for the first time since late July, and closed at 94.642. This marks a break beyond the 23.6% one-year Fibonacci retracement of 94.400. A newly proposed fiscal stimulus package is being debated amongst US officials, providing a boost for the greenback. USDJPY has rebounded sharply from six months early in the week, advancing by 0.97% to settle at 105.58. The 50-day moving average of 105.88 will be the next key indicator to look out for.

Broad-based USD strength has weighed on major currencies paired against it. The EUR declined by -1.77% and closed at 1.1631, its lowest point since July. The currency has fallen well below the 76.4% one-year Fibonacci retracement of 1.1687 as rising Covid-19 cases in the region is spurring demand for safe-haven assets. GBP fell by -1.32% and closed at 1.2747 as the UK deals with both Brexit and Covid-19 concerns. Both the AUD and NZD suffered significant losses, declining by -3.5% and -3.15% to close at 0.7030 and 0.6592 respectively. This was the biggest weekly percentage decline for the AUD since March and the worst weekly showing for the NZD since May.

Equities

Global equity markets came under significant selling pressure last week, largely on the back of the rapid rise in coronavirus cases seen in a number of major economies, not least France and the UK. France's CAC index lost -5.0% over the week, while Germany's DAX declined by a similar -4.9%. The UK's FTSE lost -2.7%, with its losses tempered by the fall in sterling, although the index did briefly touch a four-month low on Friday.

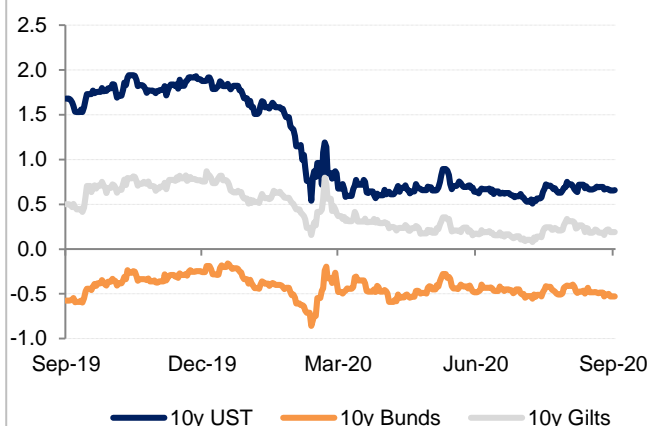
A similar trend played out in the US as data releases indicated that the recovery is slowing. The Dow Jones and the S&P 500 losing -1.8% and -0.6% respectively, although the NASDAQ managed to gain 1.1% w/w as fears over renewed restrictions on activity bolstered tech stocks. In Asia, the Hang Seng closed down -5.0% over the week, while the Shanghai Composite lost -3.6%.

Commodities

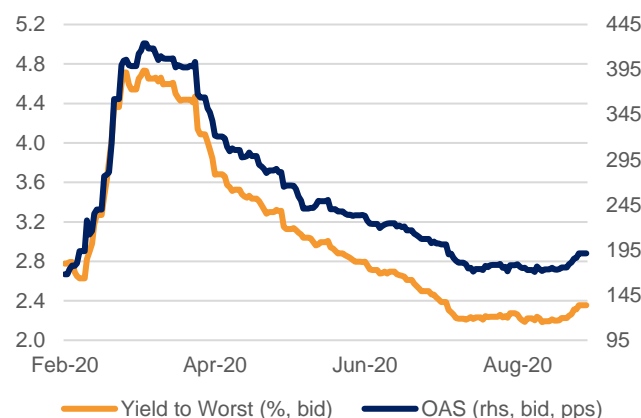
Oil prices lost ground last week thanks to persistent fear that oil demand will fail to recover strongly as countries need to reintroduce restrictions related to Covid-19. Brent futures fell 2.8% over the week to settle at USD 41.92/b while WTI closed at USD 40.25/b, a loss of just over 2%. Forward curves in both Brent and WTI remain soft with the 1-2 month spread in both contracts holding onto recent weak levels. Front of the curve spreads in WTI closed at USD 0.26/b while in Brent they are deeper at USD 0.49/b. The weaker conditions around the Brent market at the moment likely reflect uncertainty over whether Libyan production will return to markets in a significant way over the coming months.

Markets in Charts

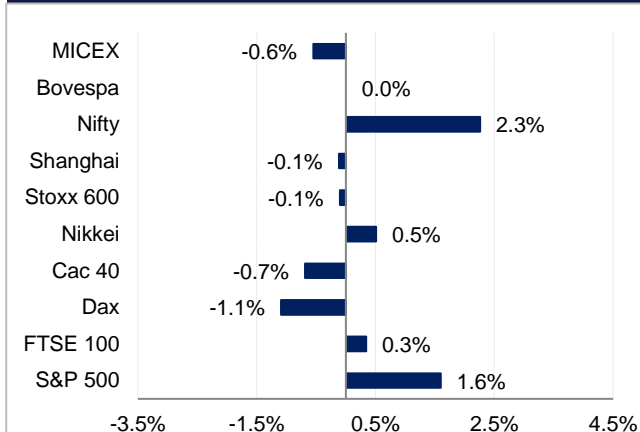
Global Bond Yields



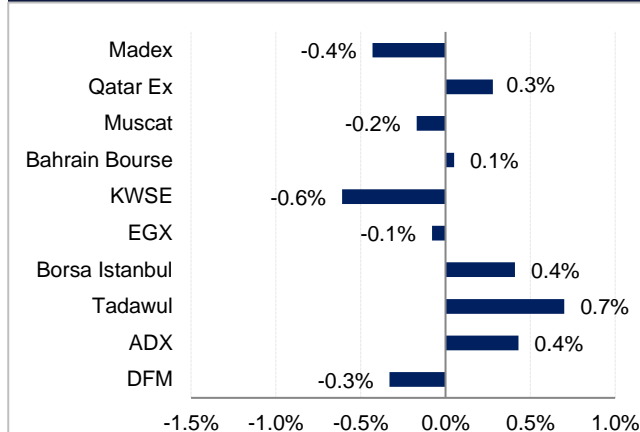
UAE liquid bond index



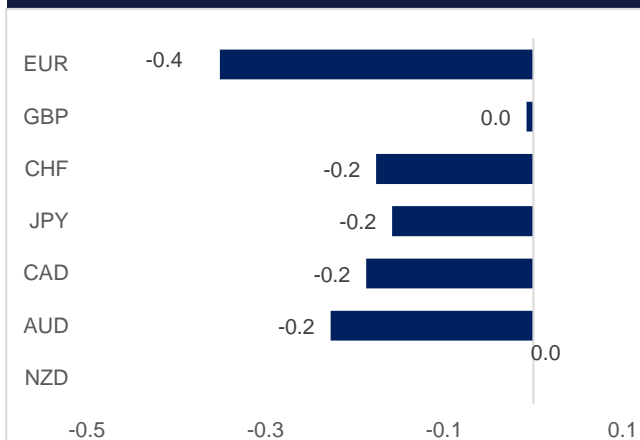
Global Equity Indices



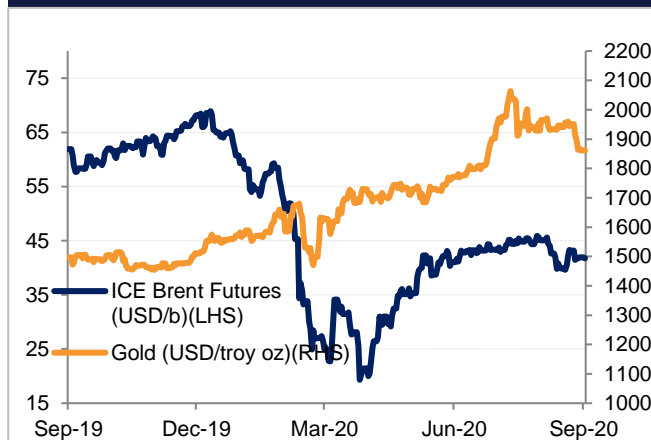
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

| | Close | %1D chg | 1 yr fwd | | Close | %1D chg | | Close | %1D chg |
|--------|--------|---------|----------|--------|----------|---------|--------|--------|---------|
| EURUSD | 1.1631 | -0.35 | 1.1728 | USDTRY | 7.6639 | +0.54 | EURAED | 4.2719 | -0.37 |
| GBPUSD | 1.2746 | -0.01 | 1.2772 | USDEGP | #N/A N/A | | GBPAED | 4.6816 | +0.02 |
| USDJPY | 105.58 | +0.16 | 105.01 | USDSAR | 3.7508 | -- | JPYAED | 0.0348 | -0.15 |
| USDCAD | 1.3386 | +0.18 | 1.3380 | USDQAR | 3.6800 | +1.06 | CADAED | 2.7437 | -0.19 |
| AUDUSD | 0.7031 | -0.23 | 0.7036 | USDKWD | 0.3063 | -- | AUDAED | 2.5823 | -0.22 |
| USDCHF | 0.9283 | +0.16 | 0.9181 | USDBHD | 0.3771 | +0.00 | CHFAED | 3.9524 | -0.27 |
| EURGBP | 0.9125 | -0.35 | 0.9182 | USDOMR | 0.3850 | -- | TRYAED | 0.4800 | -0.38 |
| USDAED | 3.6729 | -- | 3.6766 | USDINR | 73.6125 | -0.40 | INRAED | 0.0552 | +11.04 |

Rates

| Interbank | 1 mo | 3mo | 6 mo | 1 yr | Swaps | Close | 1D chg (bps) |
|-----------|---------|---------|---------|---------|-----------|--------|--------------|
| EIBOR | 0.2679 | 0.4600 | 0.5995 | 0.7983 | USD 2 yr | 0.223 | -1 |
| USD LIBOR | 0.1461 | 0.2179 | 0.2713 | 0.3693 | USD 5 yr | 0.338 | -1 |
| GBP LIBOR | 0.0466 | 0.0584 | 0.0924 | 0.1576 | USD 10 yr | 0.687 | -0 |
| JPY LIBOR | -0.1067 | -0.0967 | -0.0507 | 0.0513 | EUR 2 yr | -0.488 | -0 |
| CHF LIBOR | -0.8092 | -0.7598 | -0.7244 | -0.5932 | EUR 5 yr | -0.431 | -1 |
| | | | | | EUR 10 yr | -0.238 | -2 |

Commodities & Fixed Income

| Commodities | Close | %1D chg | Bonds/Sukuk | YTM | 1D chg (bps) | CDS | Close | 1D chg (bps) |
|-------------|---------|---------|--------------|------|--------------|--------------|-------|--------------|
| Gold | 1861.58 | -0.35 | ADGB 2.50 25 | 1.12 | -3 | Abu Dhabi | 55 | -2 |
| Silver | 22.89 | -1.12 | DUGB 3.89 25 | 2.53 | -1 | Bahrain | 352 | +34 |
| Oil (WTI) | 40.25 | -0.15 | QATAR 3.4 25 | 1.18 | -4 | Dubai | 158 | -3 |
| Aluminium | 1712.50 | +0.59 | US Tsy 2 yr | 0.13 | -0 | Oman | 466 | +16 |
| Copper | 6543.55 | +0.25 | US Tsy 10 yr | 0.65 | -1 | Qatar | 55 | -1 |
| | | | | | | Saudi Arabia | 99 | -3 |

Source: Bloomberg, Emirates NBD Research

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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 Shaher 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
 Abdulazeez Adm AlSomali
 +966 11 282 5623
 abdulazeezso@emiratesnbd.com

Singapore Sales
 Shivakumar Srinivasan
 +65 6578 5620
 shivakumars@emiratesnbd.com

London Sales
 Carlo de Vos
 +44 (0) 207 838 2279
 devosc@emiratesnbd.com

Egypt Sales
 Ahmad Okasha
 +202 2726 5934
 aokasha@emiratesnbd.com

India Sales
 Ashish Pahuja
 +91 22 6813 6202
 ashishpa@emiratesnbd.com

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