



بنك الإمارات دبي الوطني
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Daily Outlook

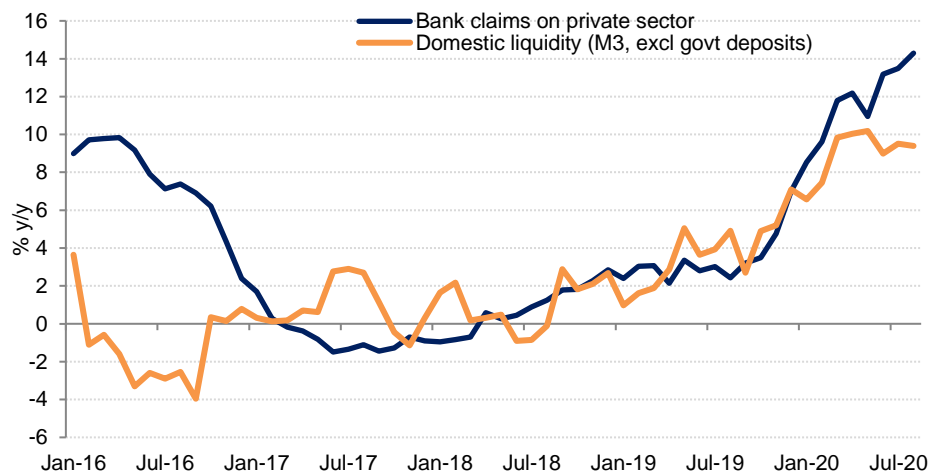
Bahrain's economy contracted -4.6% q/q and -8.9% y/y in Q2 2020. Growth in the hydrocarbons sector helped to mitigate the -10.7% y/y contraction in the non-oil sectors. Hospitality and transport sectors were unsurprisingly the hardest hit, contracting more than 40% q/q due to border closures and lockdown.

Broad money supply growth in Saudi Arabia slowed slightly to 9.4% y/y in August, while private sector credit growth accelerated further to 14.3% y/y from 13.5% in July. Total public sector borrowing remained strong at 19.7% y/y, slightly faster than in July. Net foreign assets at the central bank rose by USD 5.3bn to USD 448.7bn, the highest level since March. Government deposits at the central bank increased USD 4.6bn last month, likely reflecting higher oil revenues as crude production and prices recovered in August. The value of point of sale (POS) transactions declined -1.2% m/m in August but were still 31% higher y/y. POS transactions rose sharply in May and June as lockdown restrictions were lifted but declined in July when VAT increased to 15%.

The prospect of a new fiscal stimulus support package remains out of reach for now as the first US presidential debate approaches tonight, but reports regarding some moves towards common ground have helped bolster markets in the US. House Speaker Nancy Pelosi has reportedly been meeting Treasury Secretary Steven Mnuchin, with more meetings scheduled, and the House Democrats have unveiled a slimmed-down version of their support package. While at USD 2.2tn it is still far greater than the USD 1.5tn President Donald Trump has said he could accept – and indeed the USD 650bn package proposed by the Republicans previously – it is a tentative step towards common ground. There was further positive news from the US last night, as the Dallas Fed manufacturing index far exceeded expectations, coming in at 13.6 in September compared to consensus 9.5 and up from 8.0 in August.

European economies have looked under significant pressure over the past couple of weeks as the coronavirus pandemic has surged once again in countries such as France and Netherlands, and this has been reflected in the markets. However, comments by ECB President Christine Lagarde yesterday that the bank stood ready to provide further stimulus if it proves necessary has gone some way towards reassuring investors. She acknowledged downside risks, while pledging that the bank stood ready to 'adjust all of its instruments.' She declined to comment on the level of the euro however.

Saudi Arabia: Money supply and private sector credit



Source: Haver Analytics, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
France consumer confidence	10:45	93	UK mortgage approvals	12:30	71.3k
Eurozone consumer confidence	13:00	NA	US wholesale inventories m/m	16:30	-0.1%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

US treasury markets held ground ahead of the US presidential debate scheduled for later today. While the debate is unlikely to mean a knockout punch for either incumbent Donald Trump or Democratic candidate Joe Biden, a shift in polling that shows a stronger lead for one candidate should help to push Treasuries out of their current range. We would expect some form of stimulus to be forthcoming regardless of who wins the election although a Biden victory would likely see support to the economy be larger and help to lift some inflation expectations. Democrats in the House of Representatives have unveiled a new USD 2.2trn support plan, far beyond the proposal from Senate Republicans for a more limited USD 650bn package. Yields on 2yr USTs closed at 0.125% while on the 10yr they settled at 0.6528%.

FAB priced a USD 750mn perpetual at around 4.5% according to press reports. Elsewhere in the region Egypt has mandated banks for the first sovereign green bond issuance from MENA. The Egyptian green bond will have a five year maturity and is likely to be benchmark size.

The RBI has had to reschedule its planned MPC meeting for this week due to an apparent lack of quorum. India's central bank is in the process of revising its MPC members as three panelists will see their term expire at the end of September. So far no new members have been publicly announced. We had expected the RBI to hold policy steady at this meeting before implementing a 25bps cut at its December meeting.

FX

The USD eroded some of its recent gains on Monday. The DXY index retreated from a two-month high reached on Friday, falling by -0.38% after faltering at a resistance line of 94.700 and is now trading at 94.240. USDJPY remains largely unchanged at 105.50.

The EUR recorded modest gains of 0.3% and now trades at 1.1672 following comments from ECB President Christine Lagarde stating that they were ready to deploy more monetary stimulus if necessary. The GBP increased by 0.7% to reach 1.2834, buoyed by cautious optimism about an EU-UK trade deal and comments from BOE Deputy Governor Dave Ramsden dismissing negative rates. Sterling is tentatively extending its gains this morning. It was a volatile session for the NZD, but the currency has consolidated minor gains this morning to reach 0.6565 whilst the AUD is extending Monday's rally and trades around 0.7080.

Equities

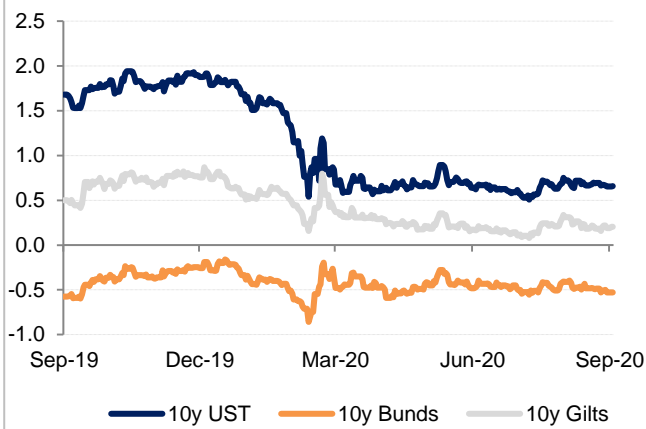
Global equities started the week on a positive footing, with noises around some compromises potentially leading to a deal on fiscal support in the US leading the Dow Jones, the S&P 500 and the NASDAQ to post gains of 1.5%, 1.6% and 1.9% respectively. European equities fared even better, with the CAC and the DAX gaining 2.4% and 3.2%, bolstered by ECB President Christine Lagarde's comments yesterday confirming that the central bank stood ready to provide more stimulus should it prove necessary.

Commodities

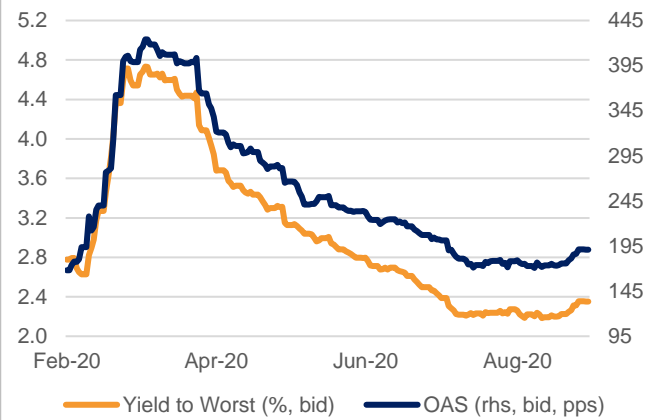
Oil prices managed to close up to start the trading week with Brent gaining 1.2% to settle at USD 42.43/b while WTI closed at USD 40.6/b, up 0.87%. Clashes in the South Caucasus may have added some temporary geopolitical anxiety to oil prices but are unlikely to shift prices sustainably higher.

Markets in Charts

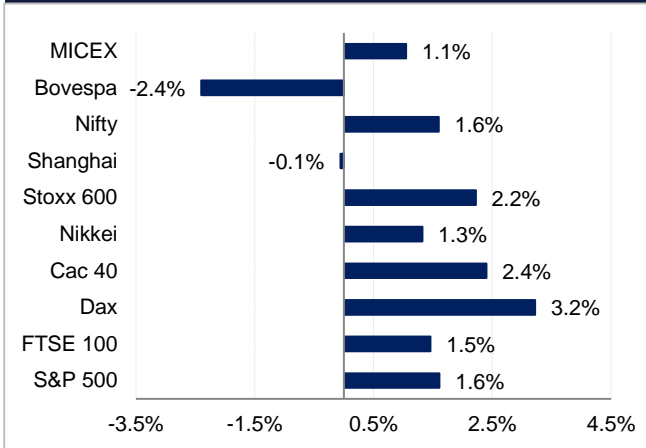
Global Bond Yields



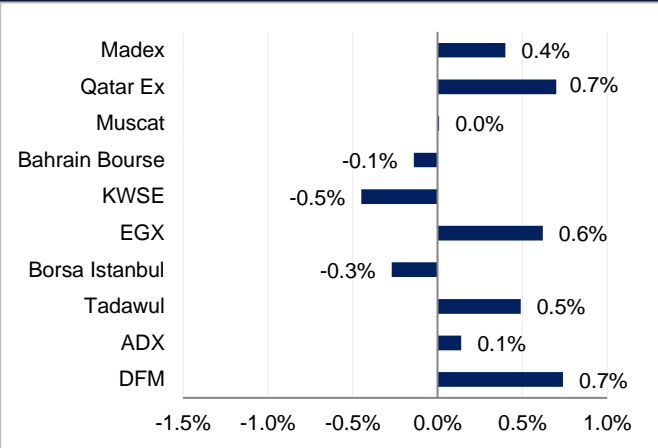
UAE liquid bond index



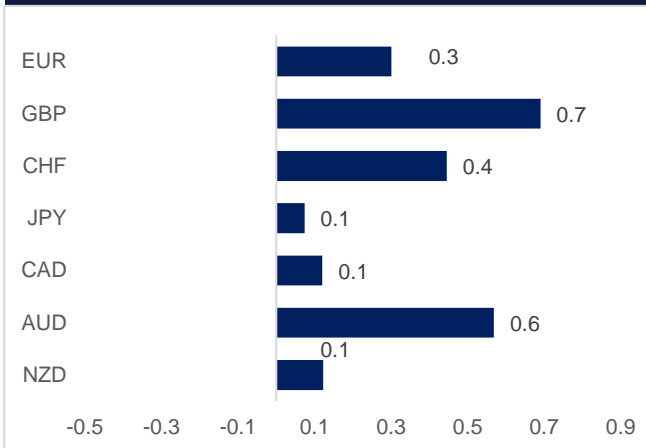
Global Equity Indices



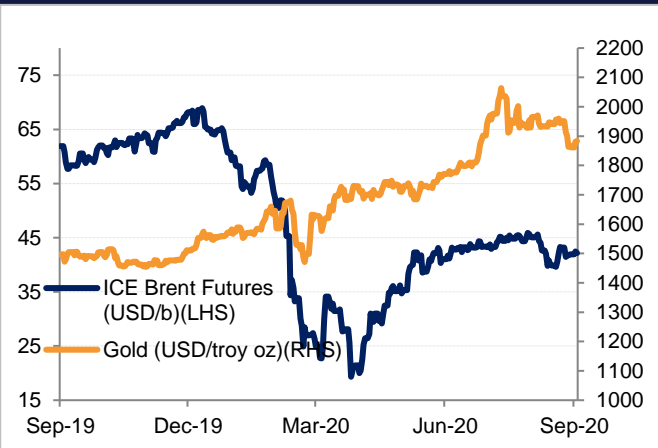
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1666	+0.30	1.1763	USDTRY	7.8062	+1.86	EURAED	4.2848	+0.30
GBPUSD	1.2834	+0.69	1.2861	USDEGP	15.7550		GBPAED	4.7133	+0.68
USDJPY	105.50	-0.08	104.93	USDSAR	3.7508	--	JPYAED	0.0348	+0.07
USDCAD	1.3370	-0.12	1.3362	USDQAR	3.6800	+1.06	CADAED	2.7471	+0.12
AUDUSD	0.7071	+0.57	0.7076	USDKWD	0.3064	+0.03	AUDAED	2.5972	+0.58
USDCHF	0.9251	-0.34	0.9150	USDBHD	0.3771	+0.00	CHFAED	3.9732	+0.53
EURGBP	0.9090	-0.38	0.9146	USDOMR	0.3850	+0.00	TRYAED	0.4700	-1.93
USDAED	3.6729	--	3.6766	USDINR	73.7850	+0.23	INRAED	0.0552	+10.81

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2560	0.4339	0.6406	0.7983	USD 2 yr	0.223	+0
USD LIBOR	0.1461	0.2179	0.2713	0.3693	USD 5 yr	0.336	-0
GBP LIBOR	0.0466	0.0584	0.0924	0.1576	USD 10 yr	0.690	+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	-0.429	+0
					EUR 10 yr	-0.233	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1881.48	+1.07	ADGB 2.50 25	1.11	-1	Abu Dhabi	54	-1
Silver	23.68	+3.44	DUGB 3.89 25	2.51	-2	Bahrain	347	-5
Oil (WTI)	40.60	+0.87	QATAR 3.4 25	1.22	+4	Dubai	157	-1
Aluminium	1743.50	+1.81	US Tsy 2 yr	0.13	-0	Oman	471	+8
Copper	6559.50	+0.24	US Tsy 10 yr	0.65	-0	Qatar	52	-3
						Saudi Arabia	94	-5

Source: Bloomberg, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12thFloor
Baniyas Road, Deira
P.OBox777
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 Shafer 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