



بنك الإمارات دبي الوطني
Emirates NBD

Daily
1 October 2020

Daily Outlook

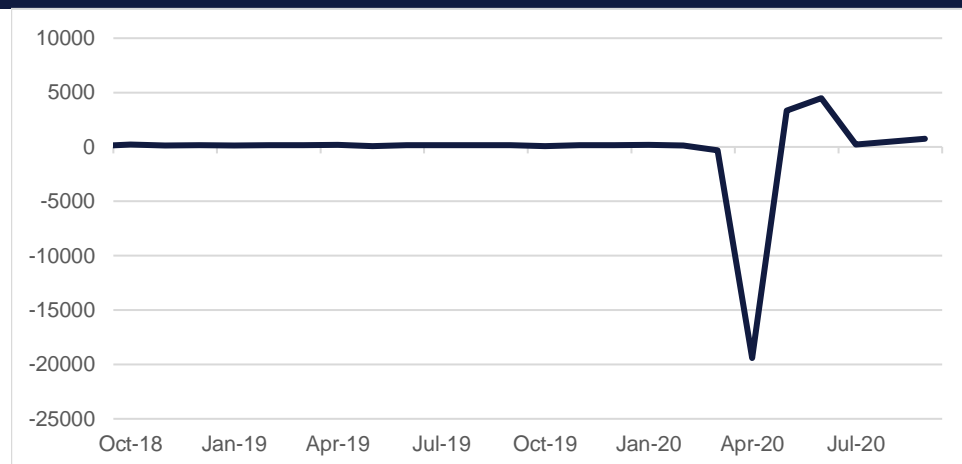
In the US, ADP employment figures were released yesterday, which showed that private sector job growth was at the strongest in three months in September. Firms added a total of 749,000 new jobs in September, exceeding expectations of 649,000. All eyes will now be on the non-farm payroll figures released tomorrow, the last such report before the November election. There were also relatively positive signals regarding the prospects of a new deal on fiscal support, and while Treasury Secretary Steven Mnuchin told the press yesterday that there was no agreement as yet, he did say that talks with Democrats would continue.

Saudi Arabia's preliminary budget statement showed the kingdom estimates this year's budget deficit will reach SAR 298bn (-12% of GDP), less than our estimate of SAR 356bn (-13.9% GDP). The ministry of finance is also more optimistic on GDP growth this year, estimating it at -3.8% against our revised forecast of -5.2%. For 2021, the government plans to reduce spending by -7.3% to SAR 990bn. **Separately, employment data released today showed a record high unemployment rate of Saudi nationals at 15.4% in Q2 2020, up from 11.8% in Q1.** While the number of Saudis employed in the public sector increased 0.5% q/q, the number of nationals employed in the private sector declined -2.3% q/q. The number of expatriates employed in the private sector also declined in Q2.

There were positive data signals from Germany yesterday. **Retail sales for August rose 3.1% m/m, far exceeding expectations of 0.4%.** Unemployment in September fell to 6.3%, from the 6.4% level at which it held over the previous three months. This marked the first fall in the jobless rate since the start of the Covid-19 crisis. Meanwhile, July data also released yesterday showed that the number of people on the kurzarbeit scheme, which has helped to keep the headline unemployment rate relatively low, declined to 4.2mn in July, from 4.6mn in June and a peak of 6.0mn in April. While Germany has not seen new Covid-19 cases rise again to the same extent as in France, the UK and Netherlands in recent weeks, new restrictions imposed by Chancellor Angela Merkel yesterday could weigh on this recovery.

In the UK, the final data for Q2 GDP were released, with the figures adjusted modestly to show a contraction of -21.5% y/y rather than the previously reported -21.7%. While this was one of the worst Q2 performances by a major economy, BoE Chief Economist Andy Haldane yesterday berated the press for being too negative in its reporting, and for not focusing on the 9% m/m rise in activity in June. He maintained that the three major challenges currently facing the UK economy – Covid-19, looming Brexit deadlines and rising unemployment – are being over-egged and that the situation is more positive than is being presented by the media. **He also cast doubt on the need for negative interest rates in the UK.**

US ADP employment change, '000



Source: Haver Analytics, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
EZ final Manufacturing PMI	12:00	53.7	UK final Manuf. PMI	12:30	54.3
US initial jobless claims	16:30	850k	US ISM manuf.	18:00	56.4

Source: Bloomberg, Emirates NBD Research.

Fixed Income

The UST curve closed higher on the final day of September on optimism that a deal between the Republican administration and Congressional Democrats may be in the offing. Yields on 2yr USTs were slightly higher at 0.127% while on the 10yr yields gained more than 3bps to close at 0.684%. as the political cycle around the US presidential elections heats up we would expect more volatility in UST levels but that ultimately they will be trending higher—slowly—provided the economic recovery holds.

Yields were higher across the board in Europe with 10yr gilt yields up almost 5bps at 0.227% while gains in OATs and bunds were around 2bps each. With a broadly risk-on tone taking hold of markets both high yield and emerging market (USD) bonds gained.

Turkey's sovereign wealth fund—the TWF—is in the market for a Eurobond but has not revealed a target for either its size or maturity.

FX

The USD moved tentatively on Wednesday. The DXY index ended the day unchanged but has dipped slightly this morning to reach 93.700, after briefly touching a high of 94.190 in the afternoon. Some slightly better than expected economic data out of the US prevented the greenback from suffering further losses. USDJPY also recorded minor losses for the day and is hovering around the 105.50 region.

The EUR bounced off of lows of 1.1685 amid hopes for a new fiscal stimulus deal, and has held firm at 1.1745 this morning. The GBP has also advanced off the back of a slightly improved market mood to reach 1.2940. Both the AUD and the NZD also consolidated gains, trading at 0.7180 and 0.6630 respectively.

Equities

The better-than-expected payrolls data boosted US equities yesterday, with all three major indices closing higher on the day. The NASDAQ and the S&P 500 gained 0.7% and 0.8% respectively, while the blue-chip Dow Jones gained 1.2%. Things were not so positive in Europe, where a series of less-than-spectacular earnings announcements and job losses added to the gloom wrought by a renewed surge in cases and restrictions on movement. The FTSE 100 and the DAX lost -0.5%, while the CAC closed 0.6% lower.

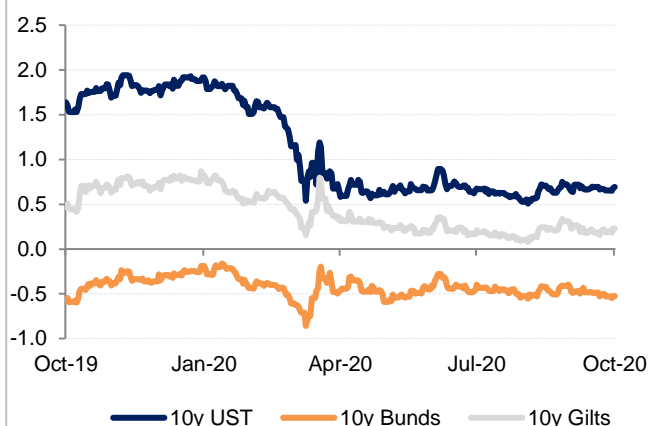
Commodities

November Brent futures closed the month at USD 40.95/b, down 0.2% on the day and the first monthly decline on Brent futures since March. December contracts are now trading at USD 42.31/b, flat from overnight. WTI futures rallied 2.4% overnight and are flat in early trading today at USD 40.20/b.

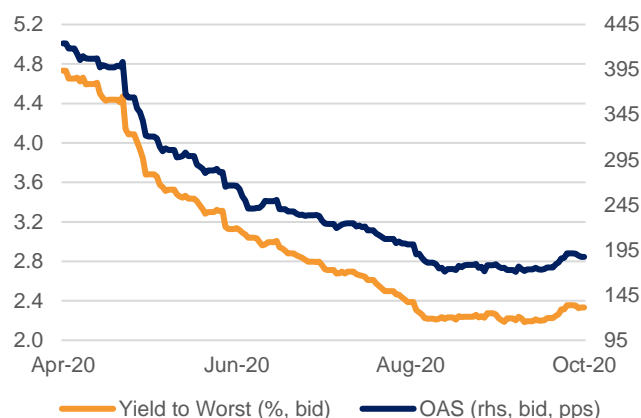
The EIA reported a draw on US crude stocks of around 2mn bbl last week with most of the draw happening on the west coast. Total crude production was flat last week at 10.7mn b/d while product supplied was down by almost 1mn b/d. distillates in particular fell back, down by around 300k b/d w/w.

Markets in Charts

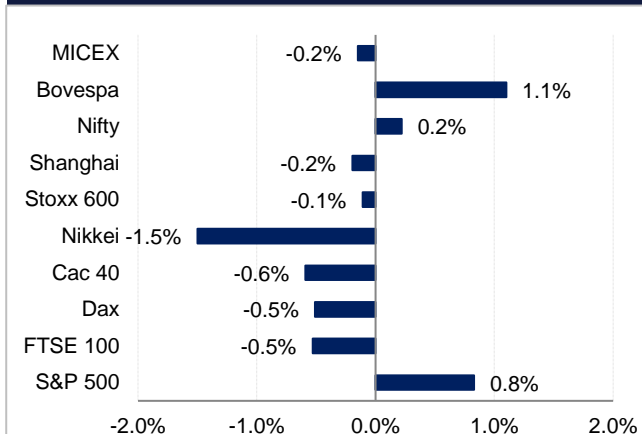
Global Bond Yields



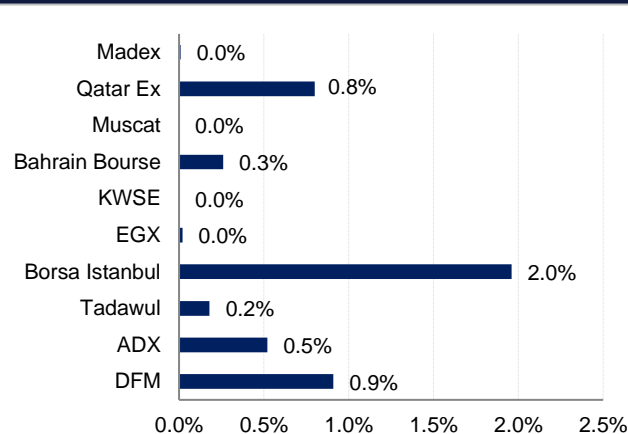
UAE liquid bond index



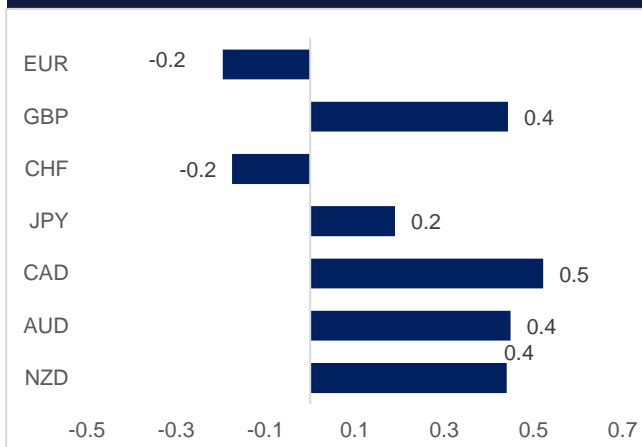
Global Equity Indices



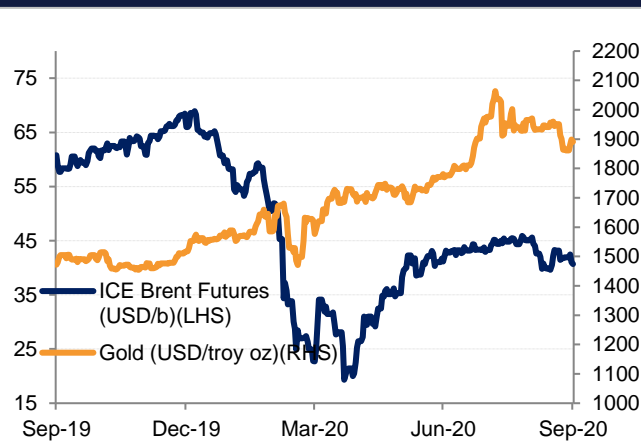
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1721	-0.20	1.1817	USDTRY	7.7157	-1.16	EURAED	4.3049	-0.19
GBPUSD	1.2920	+0.44	1.2945	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.7468	+0.48
USDJPY	105.48	-0.17	104.92	USDSAR	3.7509	--	JPYAED	0.0348	+0.21
USDCAD	1.3319	-0.52	1.3312	USDQAR	3.6800	+1.05	CADAED	2.7568	+0.50
AUDUSD	0.7162	+0.45	0.7166	USDKWD	0.3062	--	AUDAED	2.6306	+0.43
USDCHF	0.9209	+0.13	0.9109	USDBHD	0.3771	--	CHFAED	3.9884	-0.18
EURGBP	0.9072	-0.65	0.9129	USDOMR	0.3850	--	TRYAED	0.4800	+2.02
USDAED	3.6729	--	3.6762	USDINR	73.7637	-0.13	INRAED	0.0552	+10.91

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2629	0.4875	0.6350	0.9258	USD 2 yr	0.220	-0
USD LIBOR	0.1490	0.2251	0.2651	0.3593	USD 5 yr	0.346	+1
GBP LIBOR	0.0468	0.0664	0.0810	0.1468	USD 10 yr	0.710	+3
JPY LIBOR	-0.0845	-0.1040	-0.0563	0.0430	EUR 2 yr	-0.487	+1
CHF LIBOR	-0.8048	-0.7746	-0.7244	-0.5974	EUR 5 yr	-0.427	+1
					EUR 10 yr	-0.229	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1885.82	-0.65	ADGB 2.50 25	1.08	-4	Abu Dhabi	54	--
Silver	23.24	-3.94	DUGB 3.89 25	2.52	+3	Bahrain	347	-1
Oil (WTI)	40.22	+2.37	QATAR 3.4 25	1.17	-1	Dubai	161	+10
Aluminium	1729.00	-1.17	US Tsy 2 yr	0.13	+0	Oman	471	-1
Copper	6668.00	+1.43	US Tsy 10 yr	0.68	+3	Qatar	52	-1
						Saudi Arabia	92	-1

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

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