بنك الإمارات دبي الوطني
Emirates NBD

Daily
8 October 2020

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Daily Outlook

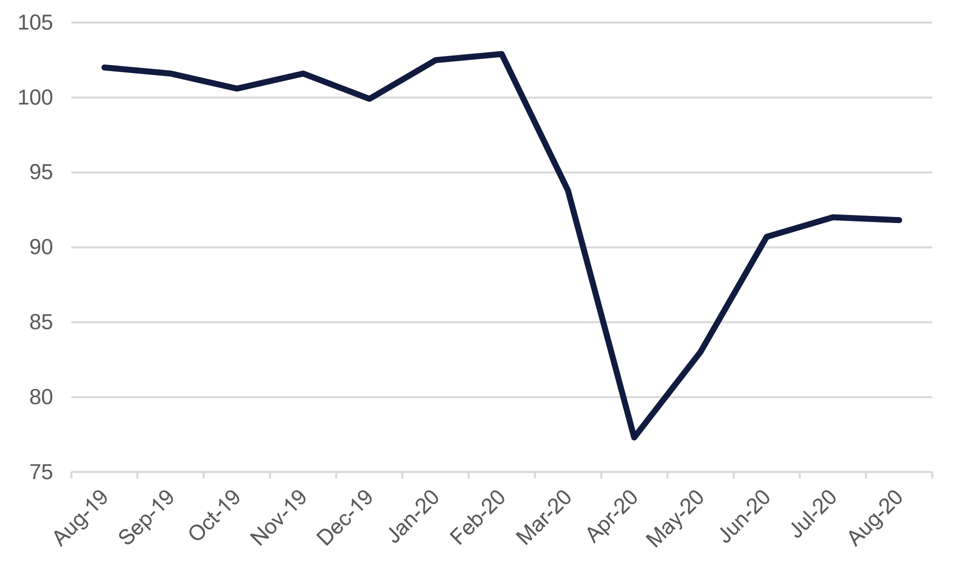
Minutes of the Fed's policy meeting last month showed the US central bank policymakers agreeing broadly on a new approach to inflation targeting, but differing on how best to communicate the shift in the Fed's statement. Participants in the Federal Open Market Committee deliberations also supported providing more explicit outcome-based forward guidance for the federal funds rate**. Some participants also noted that "in future meetings it would be appropriate" to be more specific about plans for further bond purchases,** currently being added at a pace of USD 120bn a month. The officials also discussed uncertainties around the economy, with "most" worried that federal fiscal spending might not prove adequate to address the scale of the issues facing the country. **The Fed signaled last month that interest rates are likely to stay at zero through 2023, promising to wait on rate hikes until inflation reached 2% and was "on track to moderately exceed 2% for some time".**

Meanwhile overnight Donald Trump seemingly reversed his decision not to negotiate on any more fiscal stimulus before the elections, **saying Congress should approve support for airlines and USD 1,200 stimulus checks to households.** However, this would be funded unused funds from the CARES Act earlier this year. House Speaker Nancy Pelosi has signalled she is open to the airline support but that the stimulus cheques for households would not be enough.

German industrial output edged down 0.2% m/m in August following three months of relatively strong increases. Data for June and July was revised up 9.3% m/m and 1.4% m/m respectively. **Factories produced fewer capital and consumer goods, with vehicle production dropping sharply**. The German economy ministry said industrial output now stood at almost 90% of Q4 2019 levels and that improved business sentiment, rising orders and a decline in the use of job protection schemes among manufacturers are signs that the economy is moving in the at right pace in the catch-up process to pre-Covid levels.

The new emir of Kuwait, Sheikh Nawaf Al Ahmed has selected his half-brother Sheikh Mishaal to be the new crown prince. Sheikh Mishaal is 80 years old. Parliament is expected to confirm the appointment with a simple majority on Thursday before dissolving ahead of the 28 November general election.

German production index for the industry



Source: German Federal Statistics Office, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
ECB Monetary Policy	15:30	NA	US Initial Jobless Claims	16:30	820K

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasury yields gained amid a broader risk-on tone to markets as investors adjust to the possibility of Joe Biden winning the presidential election and unloading significant stimulus on the US economy. The curve bear steepened with UST 2yr yields holding flat at around 0.15% while 10yr UST yield added 5bps to close the day at 0.7868%. We would expect the gradual pull higher in 10yr USTs to attract the attention of the Federal Reserve and we may see speakers over coming weeks try to talk long bond yields down.

The minutes from the September FOMC implied that policymakers were looking to increase the scale and length of QE to help support the economy's recovery. The committee also appeared worried about structural changes in the US jobs market (automation, industry switching for example) that may leave a large section of the workforce permanently disenfranchised.

The RBI has rescheduled its MPC meeting that was meant to take place last week for tomorrow. A new MPC, with more dovish external members, will meet and we expect no change in policy at this meeting. India's government has stuck to its borrowing targets for the end of calendar 2020, giving them room to ramp up borrowing for next year.

Commercial Bank of Dubai is in the market for a USD benchmark, five year bond.

FX

The USD has failed to hold onto the positive momentum established at the end of Tuesday. The DXY index has fallen since that time and currently trades around 93.580. This comes amid some optimism on stimulus talks despite talks remaining volatile. USDJPY advanced by 0.33% overnight and trades around the 106 handle, marking a break above the 50-day moving average of 105.81.

The EUR is trading at 1.1770, bouncing from lows of 1.1725 amid dollar weakness. The currency is hovering just below the 50-day moving average of 1.18, which will be the next level to beat. The GBP advanced in the evening, shrugging off investor concerns over a no-deal Brexit, to reach 1.2930. The AUD rallied by 0.52% and trades at 0.7140, whilst the NZD is slipping this morning and trades at 0.6570.

Equities

US equities mounted a recovery from the previous day's sell-off, either reflecting skepticism that the White House and the Democrats would ever have reached agreement on a new fiscal stimulus package anyway, or boosted by the (somewhat contradictory) statements coming from the White House about new support. The S&P 500 gained 1.7%, while the NASDAQ and the Dow Jones both closed 1.9% higher. Elsewhere, stocks were little moved with European and Japanese indices broadly flat on the day, though the Nikkei is trading 0.9% higher this morning.

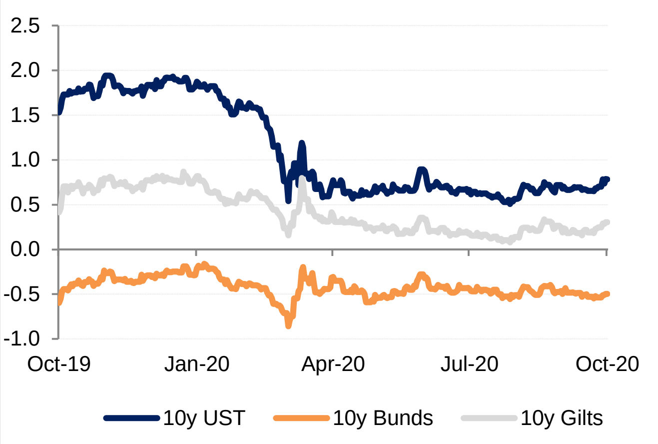
Commodities

Oil prices were weaker overnight with Brent down by 1.6% at USD 41.99/b and WTI slipping 1.8% to close at USD 39.95/b. Both are tentatively higher in trade this morning. The threat of Hurricane Delta affecting the Gulf Coast production in the US will help to provide a near term support for oil markets with as much as 80% of production shut in anticipation of the storm.

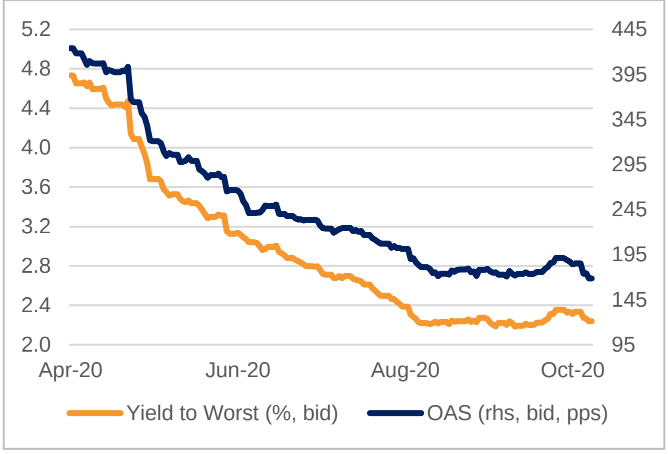
EIA data showed a modest build in commercial crude inventories last week (although there was a draw on the US SPR). Draws across the rest of the barrel are, however, constructive. Gasoline stocks were down by 1.4m bbl while there were decent increases in product supplied across most products. US crude production returned to 11m b/d last week, a gain of 300k b/d. Output data will again be distorted in coming weeks thanks to the impact of Hurricane Delta.

Markets in Charts

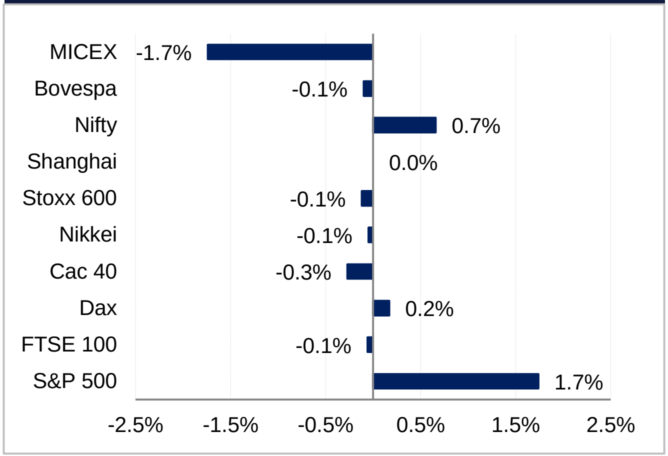
Global Bond Yields



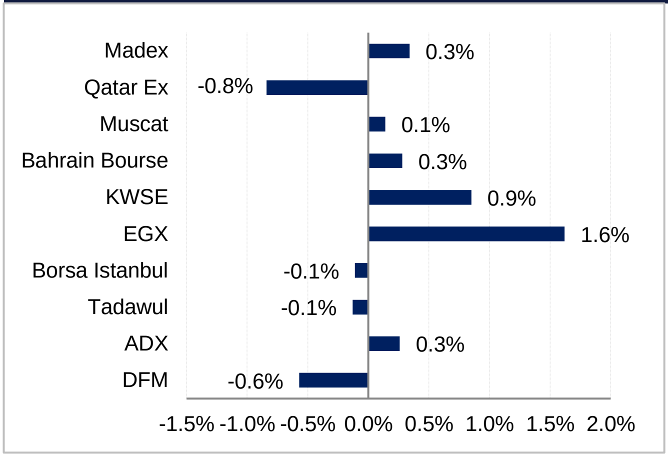
UAE liquid bond index



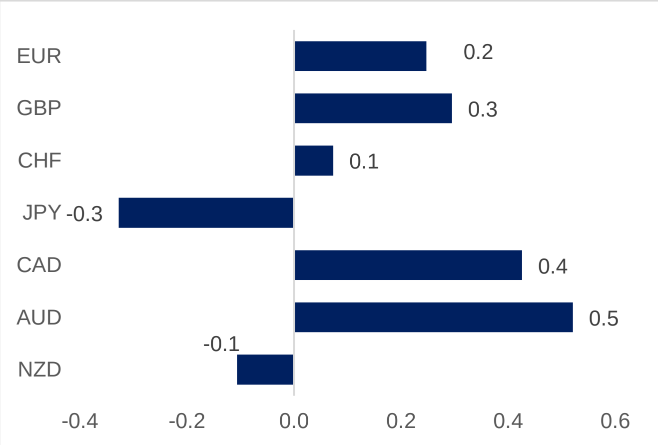
Global Equity Indices



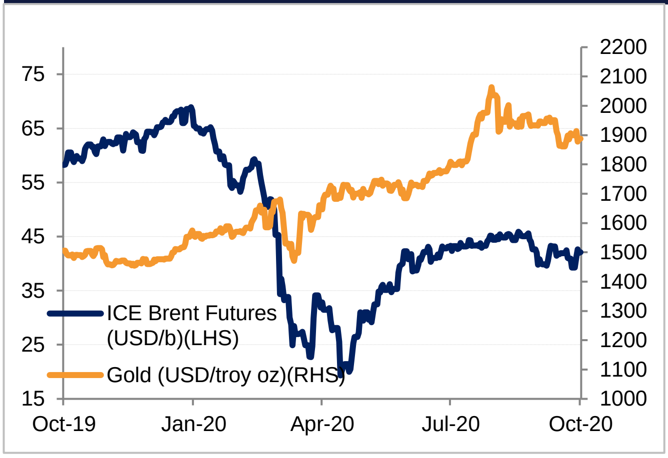
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1763	+0.25	1.1860	USDTRY	7.8851	+1.10	EURAED	4.3204	+0.24
GBPUSD	1.2919	+0.30	1.2943	USDEGP	15.7166	-0.05	GBPAED	4.7453	+0.35
USDJPY	105.98	+0.33	105.43	USDSAR	3.7511	+0.00	JPYAED	0.0347	-0.32
USDCAD	1.3256	-0.42	1.3250	USDQAR	3.6800	+1.06	CADAED	2.7708	+0.43
AUDUSD	0.7139	+0.52	0.7145	USDKWD	0.3061	+0.07	AUDAED	2.6218	+0.51
USDCHF	0.9174	-0.07	0.9076	USDBHD	0.3771	-0.00	CHFAED	4.0044	+0.08
EURGBP	0.9107	-0.07	0.9165	USDOMR	0.3850	--	TRYAED	0.4700	-0.20
USDAED	3.6730	--	3.6764	USDINR	73.4612	--	INRAED	0.0552	+10.48

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2627	0.3850	0.6256	0.7908	USD 2 yr	0.239	+0
USD LIBOR	0.1428	0.2203	0.2338	0.3488	USD 5 yr	0.415	+3
GBP LIBOR	0.0458	0.0488	0.0776	0.1521	USD 10 yr	0.812	+5
JPY LIBOR	-0.0832	-0.1023	-0.0522	0.0452	EUR 2 yr	-0.499	-0
CHF LIBOR	-0.7978	-0.7646	-0.7226	-0.6004	EUR 5 yr	-0.428	-0
					EUR 10 yr	-0.211	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1887.42	+0.49	ADGB 2.50 25	1.04	-2	Abu Dhabi	45	-1
Silver	23.80	+3.19	DUGB 3.89 25	2.74	+2	Bahrain	344	--
Oil (WTI)	39.95	-1.77	QATAR 3.4 25	1.09	--	Dubai	150	+7
Aluminium	1761.90	+1.29	US Tsy 2 yr	0.15	+0	Oman	465	-3
Copper	6666.25	+2.34	US Tsy 10 yr	0.79	+5	Qatar	44	-1
						Saudi Arabia	79	-2

Source: Bloomberg, Emirates NBD Research

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