



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

There were positive noises from the UK and the EU with regards resuming trade talks yesterday, which helped buttress the pound and UK treasuries, even as the equity market remained under pressure. Negotiators from the currency bloc will apparently arrive in London on Thursday, with intensive discussions to follow – potentially the so-called ‘tunnel’ negotiations which represent the home straight before a deal is reached within three weeks, if all goes to plan. There remain significant differences to bridge, however, not least European access to British fishing waters and the desire by the EU for the UK to operate on a level competitive playing field.

Other news from the UK saw inflation miss expectations, coming in at 0.4% m/m as compared to consensus of 0.5%. Year-on-year price growth also came in short at 0.5% y/y, compared to consensus 0.6%. Following on from MPC member Gertjan Vlieghe’s comments earlier this week, the case for greater monetary stimulus in the UK is growing. Meanwhile, the fiscal stimulus enacted in the UK so far this year has seen borrowing hit record levels, pushing the government debtload up to 1960 levels, in terms of GDP. The GBP 36bn borrowed in September was six times that borrowed in September 2019, in figures released yesterday.

Fiscal support negotiations in the US continue, even as the likelihood of securing a pre-election deal declines. House Speaker Nancy Pelosi told reporters that herself and Treasury Secretary Steven Mnuchin had made progress. There remain significant hurdles, however, not least rising scepticism from Senate Republicans.

Aviation industry body IATA has released its revised forecasts for the MENA region. The group now expects that air travel in the Middle East this year will be just under a third of what it was in 2019, compared to the previous expectation that numbers would be around 45% of what they were previously. In nominal terms, this means there will only be 60mn travellers in and out of the Middle East by plane this year, compared to 203mn last year. The body does not expect numbers to return to 2019 levels until 2024, projecting only 90mn passengers next year. This will weigh to differing degrees on the region’s economies, but all are likely to be negatively affected if these projections are borne out.

## UK CPI inflation, % m/m



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

|                           | Time  | Cons.   |                           | Time  | Cons. |
|---------------------------|-------|---------|---------------------------|-------|-------|
| Turkey one-week repo rate | 15:00 | 12.00 % | US initial jobless claims | 16:30 | 870k  |

Source: Bloomberg, Emirates NBD Research.

## **Fixed Income**

The apparent greater optimism with regards trade deal negotiations between the UK and the EU yesterday helped UK gilts fall yesterday, with yields on the 10-year rising by six basis points to 0.242%.

In the US, optimism was more muted as despite positive noises there has been little actual progress on a new fiscal support package still. The 10-year yield rose three bps to 0.8226%.

## **FX**

The GBP surged on Wednesday after the British government announced that Brexit talks were set to resume following an address given by the EU's chief negotiator Michel Barnier. Sterling advanced to its highest level in over a month at 1.3177 and currently trades at 1.3130, exceeding the 50-day moving average of 1.3016 as well as the 76.4% one-year Fibonacci retracement of 1.3018. The EUR also climbed to its highest position in a month but has reversed a lot of these gains and trades around 1.1840.

The USD extended its losses to reach its lowest point since early September but has recouped some gains this morning. The DXY index is currently sitting at 92.790. USDJPY subsequently fell well below the 105 and currently trades around 104.70, marking a decrease of -0.74%. Both the AUD and the NZD recorded significant gains, with the former advancing by 0.68% to reach 0.7095, whilst the latter rallied by 1% and trades at 0.6645.

## **Equities**

Equity markets sold off yesterday, as negotiations over US fiscal stimulus dragged on and coronavirus cases surged around the world. In the US, the S&P 500 lost 0.2%, the NASDAQ 0.3% and the Dow Jones 0.4%.

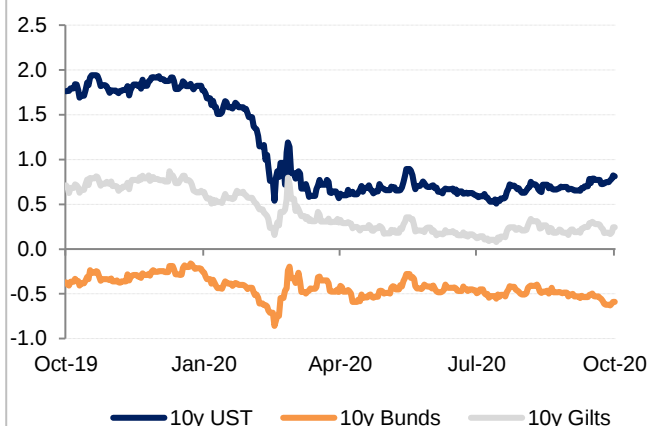
In the UK, the FTSE lost 1.9% to close at a five-month low, with sterling's gains putting it under further pressure. The index is one of the worst-performing globally among the major markets, and is still down 23.4% ytd. The DAX and the CAC were also under pressure as 13 countries in Europe saw a record week of cases, and closed down 1.4% and 1.5% on the day.

## **Commodities**

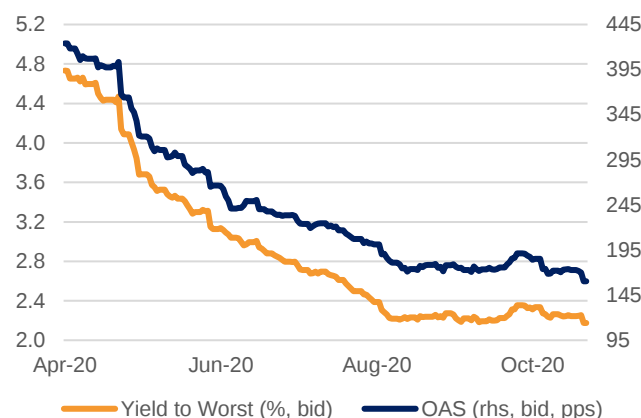
Oil prices came under pressure yesterday, with WTI futures losing 3.5% to close at USD 40.03/b, while Brent lost 3.3% to close at USD 41.73/b. Both benchmarks are trading down still further this morning. The surge in US gasoline inventories was the primary driver, with the EIA reporting that they had risen by 1.9mn bbl over the week – the biggest rise since May. Demand also appears under pressure, and with Covid-19 cases rising in 48 of 50 states last week, and cases surging in Europe, questions over the strength of any demand recovery will remain in play.

## Markets in Charts

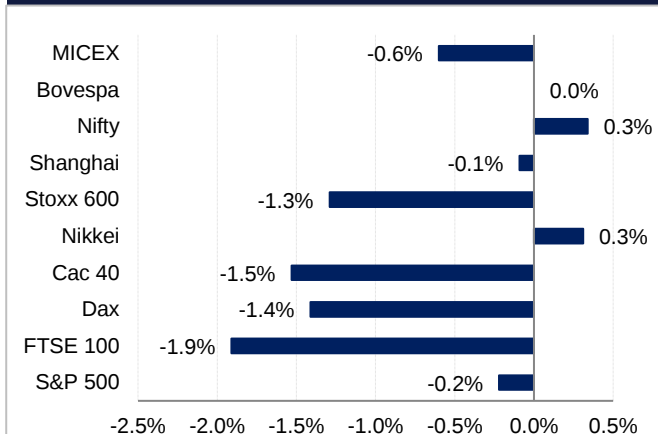
### Global Bond Yields



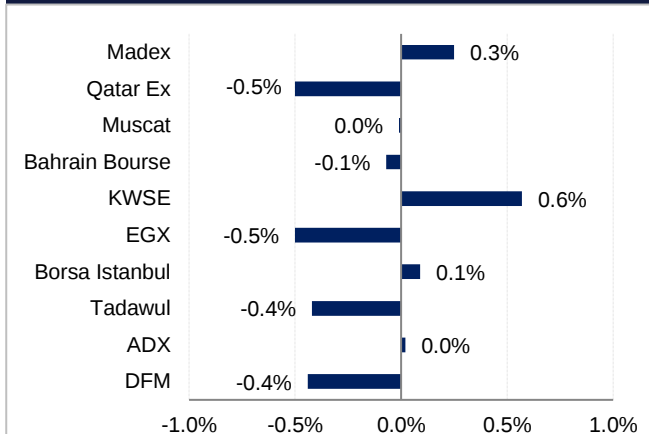
### UAE liquid bond index



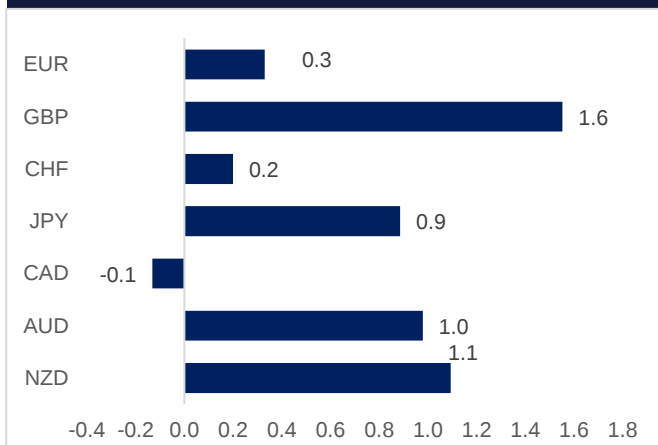
### Global Equity Indices



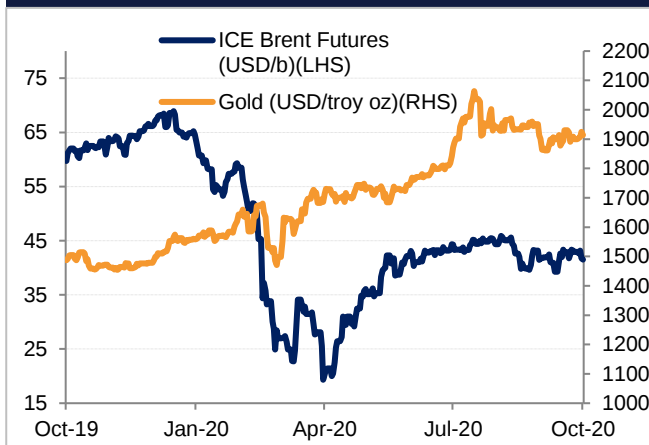
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

|        | Close    | %1D chg | 1 yr fwd |        | Close   | %1D chg |        | Close  | %1D chg |
|--------|----------|---------|----------|--------|---------|---------|--------|--------|---------|
| EURUSD | 1.1861   | +0.33   | 1.1959   | USDTRY | 7.8123  | -0.68   | EURAED | 4.3574 | +0.35   |
| GBPUSD | 1.3149   | +1.55   | 1.3175   | USDEGP | 15.7030 |         | GBPAED | 4.8287 | +1.52   |
| USDJPY | 104.59   | -0.86   | 104.04   | USDSAR | 3.7505  | -0.00   | JPYAED | 0.0351 | +0.88   |
| USDCAD | 1.3146   | +0.13   | 1.3138   | USDQAR | 3.6800  | +1.06   | CADAED | 2.7942 | -0.13   |
| AUDUSD | 0.7117   | +0.98   | 0.7127   | USDKWD | 0.3057  | -0.07   | AUDAED | 2.6144 | +1.00   |
| USDCHF | 0.9055   | -0.18   | 0.8957   | USDBHD | 0.3771  | --      | CHFAED | 4.0570 | +0.20   |
| EURGBP | 0.9023   | -1.19   | 0.9080   | USDOMR | 0.3850  | -0.00   | TRYAED | 0.4700 | +0.65   |
| USDAED | #N/A N/A | #VALUE! | #VALUE!  | USDINR | 73.5925 | +0.16   | INRAED | 0.0552 | +10.49  |

## Rates

| Interbank | 1 mo    | 3mo     | 6 mo    | 1 yr    | Swaps     | Close  | 1D chg (bps) |
|-----------|---------|---------|---------|---------|-----------|--------|--------------|
|           | 0.2365  | 0.3800  | 0.7358  | 0.7275  | USD 2 yr  | 0.231  | -0           |
| USD LIBOR | 0.1458  | 0.2158  | 0.2519  | 0.3371  | USD 5 yr  | 0.430  | +1           |
| GBP LIBOR | 0.0460  | 0.0483  | 0.0705  | 0.1199  | USD 10 yr | 0.852  | +4           |
| JPY LIBOR | -0.0823 | -0.1012 | -0.0605 | 0.0448  | EUR 2 yr  | -0.520 | +0           |
| CHF LIBOR | -0.7966 | -0.7712 | -0.7298 | -0.6116 | EUR 5 yr  | -0.464 | +0           |
|           |         |         |         |         | EUR 10 yr | -0.257 | +1           |

## Commodities & Fixed Income

| Commodities | Close   | %1D chg | Bonds/Sukuk  | YTM  | 1D chg (bps) | CDS          | Close | 1D chg (bps) |
|-------------|---------|---------|--------------|------|--------------|--------------|-------|--------------|
| Gold        | 1924.33 | +0.91   | ADGB 2.50 25 | 0.98 | -1           | Abu Dhabi    | 41    | +1           |
| Silver      | 25.05   | +1.65   | DUGB 3.89 25 | 2.32 | +1           | Bahrain      | 323   | -5           |
| Oil (WTI)   | 40.03   | -3.45   | QATAR 3.4 25 | 1.03 | +0           | Dubai        | 140   | -3           |
| Aluminium   | 1833.00 | +0.78   | US Tsy 2 yr  | 0.15 | +0           | Oman         | 435   | --           |
| Copper      | 6977.75 | +1.44   | US Tsy 10 yr | 0.82 | +4           | Qatar        | 40    | --           |
|             |         |         |              |      |              | Saudi Arabia | 69    | -1           |

Source: Bloomberg, Emirates NBD Research

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