بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

US nonfarm payrolls rose by a better than expected 638,000 jobs last month after increasing by 672,000 in September. This marked the smallest gain since the jobs recovery started in May, putting employment 10.1mn below its peak in February. The data showed there were 3.6mn people out of work for more than six months, up by 1.2mn since October. Holding back employment was the departure of 147,000 temporary workers hired for the 2020 census. A rise of 271,000 jobs in leisure and hospitality accounted for about two-fifths of the payrolls gain last month. Employment in professional and business services increased by 208,000, manufacturing added 38,000 jobs, and construction employment was up by 84,000. **The unemployment rate fell to 6.9% from 7.9% in September despite a 0.3pp increase in the labour force participation rate to 61.7%.** For an update on the US election results, please see our separate report published yesterday.

China's exports grew at the fastest pace in 19 months in October rising 11.4% y/y, quickening from a solid 9.9% y/y growth rate in September. The exports surge pushed the trade surplus for October up to USD 58.44bn, compared to a USD 37bn surplus in September. China's trade surplus with the United States widened to USD 31.37bn in October from USD 30.75bn in September. Strong demand for medical supplies and reduced manufacturing capacity elsewhere in the world meant China's exports have remained largely resilient amid the Covid-19 global pandemic. **Imports rose 4.7% y/y in October, slower than September's 13.2% y/y growth** and market expectations, but still marking a second straight month of growth.

British finance minister **Rishi Sunak extended the government's costly coronavirus furlough scheme, which provides 80% of the pay of temporarily laid-off workers, until the end of March**. He also announced increased support for self-employed people and increased guaranteed funding for Scotland, Wales and Northern Ireland by GBP 2bn to GBP 16bn. Before the latest extension the scheme had been forecast to cost around GBP 52bn over its eight-month lifespan, supporting almost 9mn jobs. The furlough policy will be reviewed in January to see if employers can boost contributions from their current level of 5% of total employment costs, or about GBP 70 per employee per month. **The Bank of England's MPC kept the benchmark rate on hold as expected but announced a bigger than forecast GBP 150bn in additional QE,** taking the asset purchase programme to GBP 895bn. The BoE also revised down its forecast for the UK economy, expecting it to contract by -11% y/y in 2020, compared with a previous forecast of -5.4% y/y. The 2021 growth forecast was revised down to 7.25% from 9% previously.

Turkish President Recep Tayyip Erdogan dismissed central bank governor Murat Uysal over the weekend, appointing a former finance minister, Naci Agbal, in his stead. The lira has come under ever greater pressure following a surprise decision to keep key interest rates on hold at the last TCMB MPC meeting on October 22, closing at a new low of TRY 8.5/USD on Friday. Despite President Erdogan's previous vocal opposition to high interest rates, the likelihood is that the new appointment will see a return to the hiking cycle which had appeared to start at the September MPC meeting when the one-week repo was raised by 200 basis points (bps). The next meeting is scheduled for November 17, and whether it comes then or at an emergency unscheduled meeting prior to that, a hike to the one-week repo rate of at least 200bps is likely. This would put the benchmark rate up to 12.25%, and push real rates back into positive territory given CPI inflation was 11.9% y/y in October. Berat Albayrak, Turkey's finance minister, resigned over the weekend, potentially setting up a major shift in economic policymaking in Turkey going forward.

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
ECB President Lagarde	13:25		BOE Bailey	14:35	

Source: Bloomberg, Emirates NBD Research

Fixed Income

Treasuries oscillated last week as the market awaited the outcome of the US presidential election. At the end of trading, however, and before the news that Joe Biden had won enough electoral college votes to become president-elect, USTs closed lower with the 2yr UST yield up by nearly 1bp on Friday to 0.1527% and the 10yr gaining more than 5bps to close out the week at 0.8185%. Anxiety over the outcome of run-off votes for control of the Senate may dampen enthusiasm that a large-scale stimulus plan will be enacted by a Biden administration and quash the upward push in yields.

Bond markets generally were lower on the final day of the week with yields gaining across most major European markets. Emerging market bonds sank as well although they could be poised for gains as a Biden administration may take a less confrontational approach to trade than Trump's policies have been.

FX

Last week major currencies experienced high volatility in the run-up to the US presidential election. The DXY index, a measure of the dollar against a basket of major currencies, declined by -1.85% and settled at a two-month low of 92.296. Similarly the USDJPY fell to lows not seen since March, at the height of the Covid-19 slump, declining by -1.25% to finish at 103.35.

Towards the end of last week most major currencies pared losses against the dollar. The EUR rose by 1.94% and closed at 1.1873, whilst the GBP increased by 1.60% and settled at a two-month high of 1.3154. The AUD also reached a multi-month high, advancing by 3.28% and finishing at 0.7259 whilst the NZD rose to its highest point since July 2019 at 0.6774.

Equities

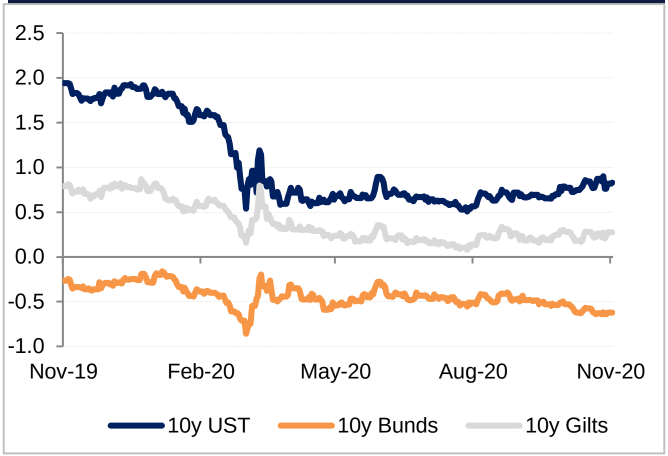
The US elections appear to have produced a goldilocks result for global equity markets, with major gains seen around the world last week even despite a significant rise in Covid-19 cases in some key markets. The US saw perhaps the most pronounced gains, with the Dow Jones, the S&P 500 and the NASDAQ closing up 6.9%, 7.3% and 9.0% respectively w/w. The expectation is for some economic stimulus from the newly elected Joe Biden administration, while the failure to as yet secure a Democrat-controlled Senate – pending the results of the Georgia run-offs – will likely limit any attempts to impose greater corporate regulation. Similarly strong gains were seen in Asia and Europe, with notable gainers in Asia the Hang Seng (6.7%) and the KOSPI (6.6%), while in Europe the CAC and the DAX both closed up 8.0% over the week. In the UK, promises of more fiscal support and greater QE saw the FTSE 100 close up 6.0%.

Commodities

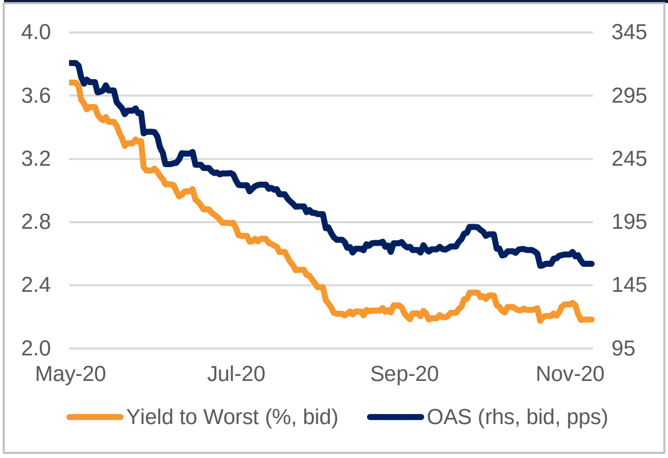
Oil prices managed to record a weekly gain last week even amid the noise surrounding the outcome of the US elections and increases in output from Libya. Brent futures settled at USD 39.45/b, a gain of 5.3% w/w, while WTI was up 3.8% at USD 37.14/b. Initial reaction from news that Joe Biden has won enough votes to become president-elect may be negative although we expect energy policy will not be a priority issue for the incoming administration.

Gold prices benefitted from the uncertainty last week, rising by almost 3.9% to USD 1,951/troy oz. A mixed outcome in Congress, with Democrats in control of the House but the Senate looking split may help keep gold prices sustained as there will be likely be worries that growth-supporting fiscal stimulus will be hard to achieve in a new administration.

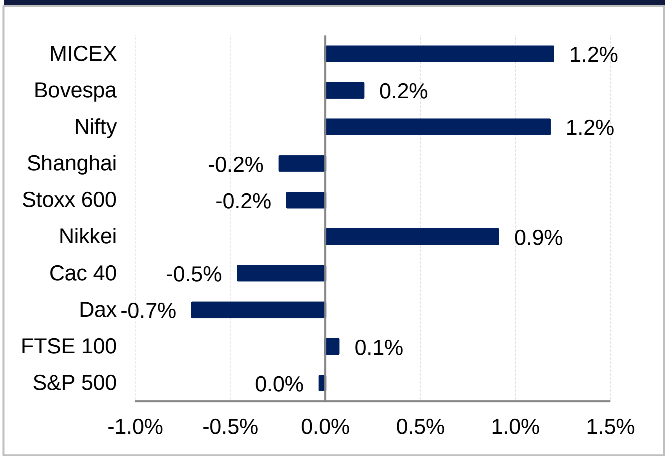
Global Bond Yields



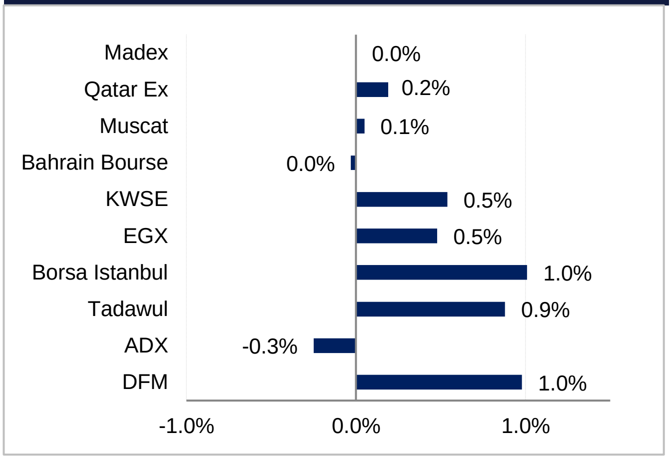
UAE liquid bond index



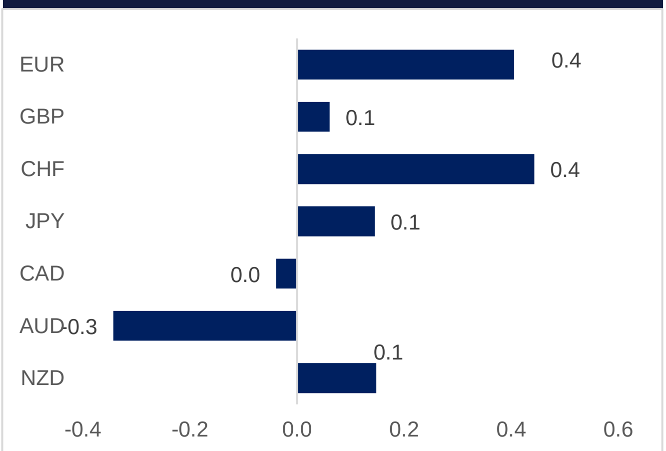
Global Equity Indices



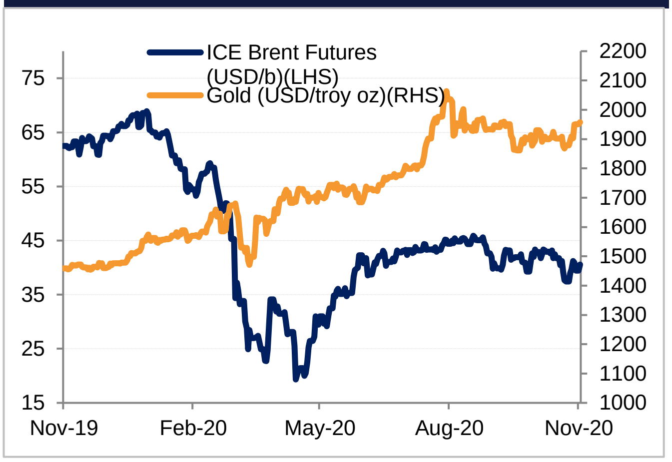
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1874	+0.41	1.1975	USDTRY	8.5153	+1.10	EURAED	4.3612	+0.42
GBPUSD	1.3156	+0.06	1.3184	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.8313	+0.04
USDJPY	103.35	-0.14	102.83	USDSAR	3.7505	-0.00	JPYAED	0.0355	+0.15
USDCAD	1.3050	+0.04	1.3043	USDQAR	3.6800		CADAED	2.8140	-0.03
AUDUSD	0.7258	-0.34	0.7271	USDKWD	0.3059	--	AUDAED	2.6667	-0.32
USDCHF	0.8995	-0.57	0.8897	USDBHD	#N/A N/A	#VALUE!	CHFAED	4.0799	+0.44
EURGBP	0.9025	+0.30	0.9083	USDOMR	0.3850	--	TRYAED	0.4300	-1.39
USDAED	#N/A N/A	#VALUE!	#VALUE!	USDINR	74.1950	-0.26	INRAED	0.0552	+11.16

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2090	0.4663	0.6503	0.7854	USD 2 yr	0.237	+0
USD LIBOR	0.1278	0.2059	0.2434	0.3334	USD 5 yr	0.423	+3
GBP LIBOR	0.0444	0.0446	0.0656	0.1225	USD 10 yr	0.840	+5
JPY LIBOR	-0.0973	-0.1022	-0.0620	0.0452	EUR 2 yr	-0.541	-0
CHF LIBOR	-0.8052	-0.7660	-0.7296	-0.6224	EUR 5 yr	-0.486	--
					EUR 10 yr	-0.262	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1951.35	+0.09	ADGB 2.50 25	0.93	-0	Abu Dhabi	40	--
Silver	25.61	+0.94	DUGB 3.89 25	2.23	+1	Bahrain	346	-6
Oil (WTI)	37.14	-4.25	QATAR 3.4 25	1.04	+1	Dubai	128	-1
Aluminium	1886.00	+0.02	US Tsy 2 yr	0.15	+1	Oman	466	-6
Copper	6935.00	+1.35	US Tsy 10 yr	0.82	+6	Qatar	39	--
						Saudi Arabia	73	--

Source: Bloomberg, Emirates NBD Research

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