



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

The UK Office for National Statistics said British employers laid off a record 314,000 workers in the three months to September, 181,000 more than in the second quarter. The labor market weakened just before finance minister Rishi Sunak made a U-turn on Covid-19 support, by extending his costly coronavirus furlough scheme, which provides 80% of the pay of temporarily laid-off workers, until the end of March. The unemployment rate climbed to 4.8%, the highest rate since the three months to November 2016, from 4.5% in the three months to August.

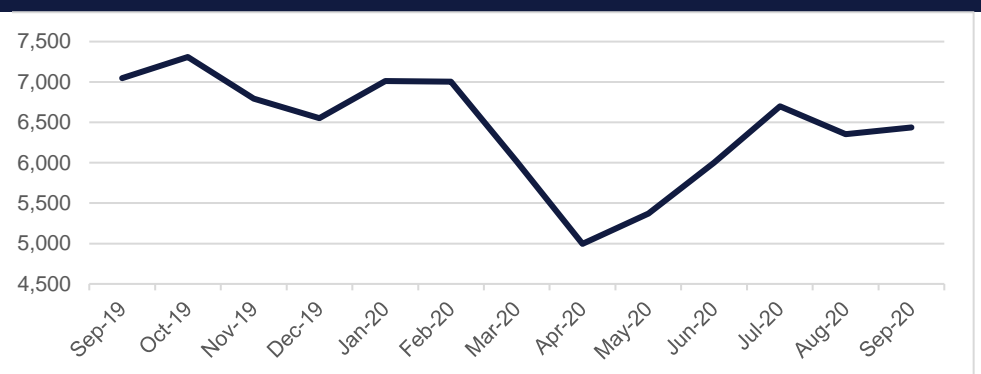
EU negotiators agreed on a long-term spending plan for the bloc, coming closer to finalising the landmark EUR 1.8tn budget and stimulus package agreed in principle earlier this year. Bloomberg estimates the additional spending will boost GDP by 2% in the coming years.

The US Labor Department's monthly **Job Openings and Labor Turnover Survey, or JOLTS report showed US job openings increased less than expected in September** as hiring fell, suggesting the labor market recovery was weakening even before a surge in new Covid-19 cases which is expected to further slow job recovery momentum. **An important measure of labor demand, job openings were up 84,000 to 6.4mn on the last day of September.** Vacancies remained below their 7mn level in February. Hiring declined 81,000 to 5.9mn, led by a 256,000 decrease in federal government as the 2020 Census winds down. Hiring also fell in retail trade and educational services. The hires rate dipped to 4.1% from 4.2% in August. The report also showed layoffs fell 200,000 to 1.3mn, the lowest level since December 2000.

Saudi Arabia's economy contracted -4.2% y/y in Q3 according to preliminary estimates from the statistics office, less than we had anticipated. No breakdown of sector GDP was provided for this initial early estimate. The economy grew 4.4% q/q after contracting -8.6% q/q and -7.0% y/y in Q2 2020.

The consolidated UAE budget recorded a deficit of -AED 15.2bn in H1 2020, compared to a surplus of AED 26.4bn in H1 2019. While expenditure declined almost -20% y/y in the first half of this year, revenue declined by almost -29% y/y. Government spending on goods and services fell by -34% y/y in H1 2020 as the lockdown in Q2 led to lower general spending. However, spending on wages and subsidies rose 4.8% and 62.0% y/y respectively. Investment spending increased in H1 2020 as inventories and spending on "non-produced assets", which likely reflects investment in mineral resources, increased sharply. However, fixed asset investment declined -8.0% y/y. We estimate the H1 budget deficit at -2.1% of GDP, and we expect this to widen to -6.9% of GDP by the end of the year, as spending recovers.

US Job Openings (thousands)



Source: BLS, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
ECB Lagarde Speaks	15:00				

Source: Bloomberg, Emirates NBD Research

Fixed Income

Markets are in a process of reorientation towards assets favouring a return to global growth as optimism grows that a Covid-19 vaccine will be developed and able to be deployed at some point in 2021. Treasuries continued to slip across the curve with yields nudging higher, even as the US treasury opened up a major auction of 10yr notes. Yields on the 2yr UST settled at 0.1807%, up around 1bp, while 10yr yields closed out at 0.9595%, a gain of almost 4bps and pushing the 2s10s curve to as steep as 79bps.

Fitch revised its outlook on Saudi Aramco's rating to negative while affirming the company's rating at 'A'. Earlier in the week Fitch revised its outlook on Saudi Arabia's sovereign rating to negative and the move on Aramco reflects the change in outlook.

FX

It was a fairly quiet session for major currencies on Tuesday. The DXY index met resistance just below the 93 handle, but has since retreated from those highs and remains little changed at 92.660. USDJPY ended the day with minimal movement but has since recorded modest declines to reach 105.10.

Sterling was amongst the biggest movers, surging on upbeat jobless claims data (which showed a fall in October despite the rise in unemployment in Q3), as well as a better than expected increase in wages. Vaccine hopes also provided a boost for the GBP, which has continued to rally this morning, reaching a two-month high of 1.3280 and currently trades at 1.3275. The Antipodean currencies traded mostly sideways but have gained positive momentum this morning. The AUD advanced to 0.7315, its highest point since September, whilst the NZD is closing in on a two-year high at 0.6905.

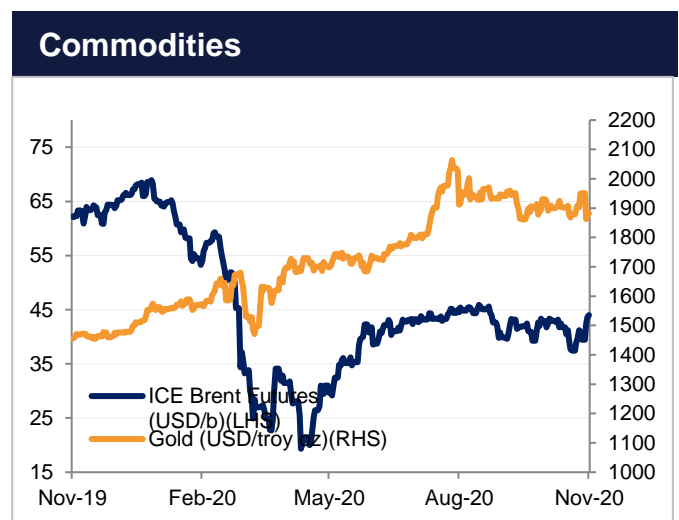
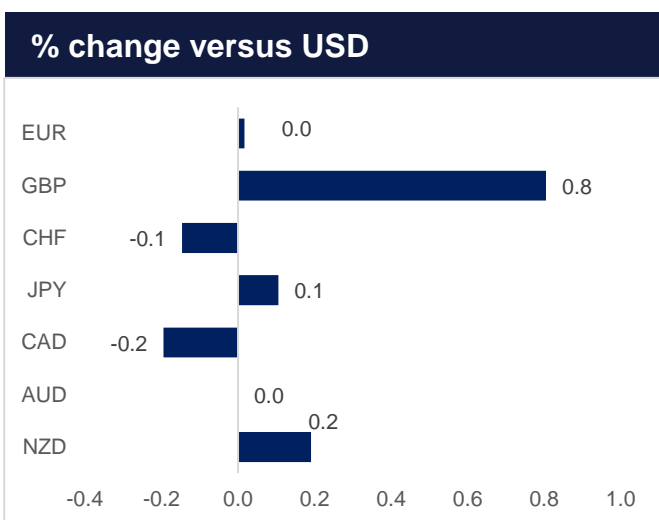
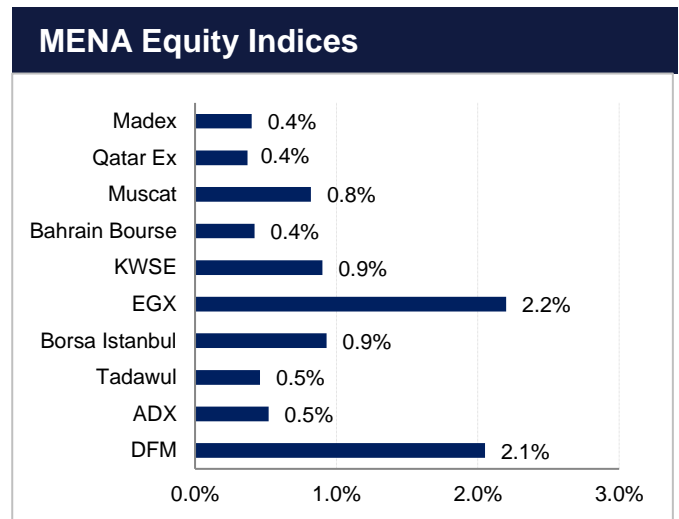
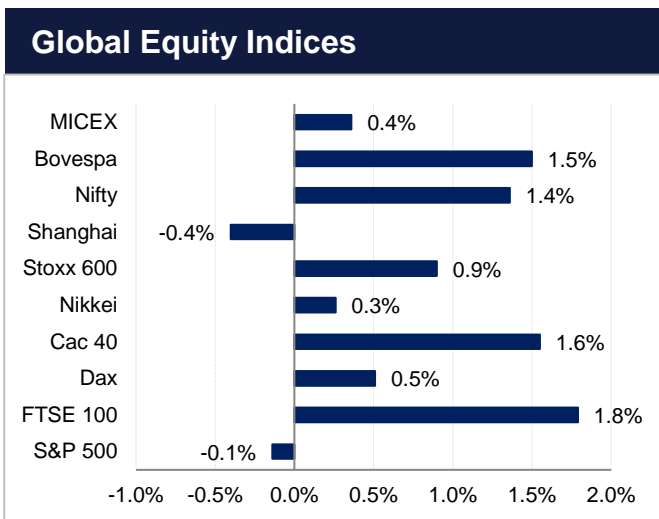
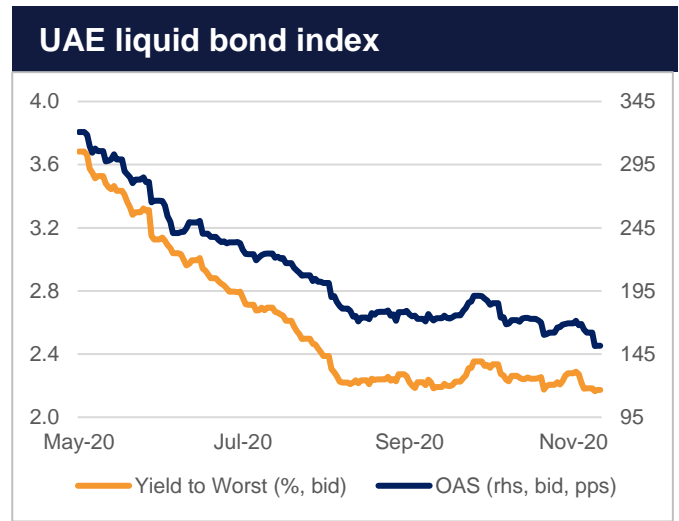
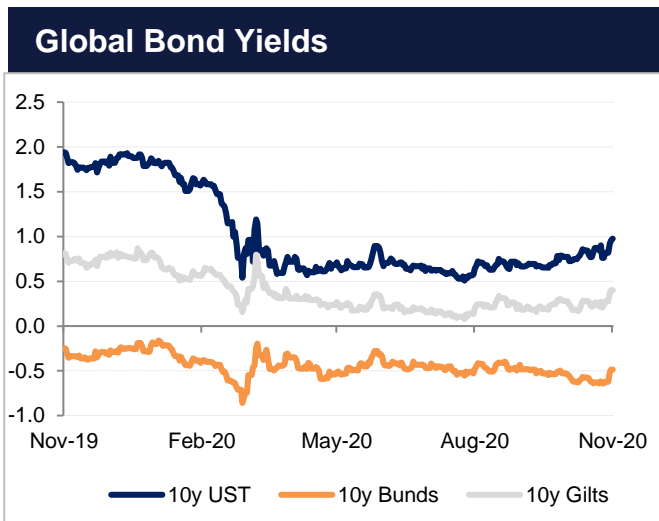
Equities

It was largely another positive day for global equity markets, as the recalibration towards risk assets continued following the positive news regarding the Covid-19 vaccine earlier in the week, and the US presidential elections last week – although the pace of the gains have inevitably slowed. In Europe, the DAX, the CAC and the FTSE 100 closed up 0.5%, 1.6% and 1.8% respectively, while in the US the blue chip Dow Jones index gained 0.9%. Less positive was the -1.4% decline in the tech-heavy NASDAQ, which has not benefitted from the good news to the same degree as other indices. Meanwhile, in Asia, the Shanghai Composite closed down -0.4% yesterday, and is down modestly in early trading this morning, but could see a strong improvement if the Singles Day selling event is a success.

Commodities

Oil futures continued to rally, helped by an API report that projected a draw in US crude stocks of over 5m bbl last week. Brent futures settled up by 2.9% at USD 43.61/b while WTI closed at 41.36/b, a gain of 2.4%. The EIA revised its outlook for US oil production in 2021 slightly higher to 11.1m b/d.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1815	+0.02	1.1914	USDTRY	8.1588	+1.12	EURAED	4.3392	+0.00
GBPUSD	1.3272	+0.81	1.3299	USDEGP	15.6594	-0.00	GBPAED	4.8749	+0.82
USDJPY	105.30	-0.08	104.75	USDSAR	3.7505	--	JPYAED	0.0349	+0.11
USDCAD	1.3033	+0.20	1.3027	USDQAR	3.6800	-0.17	CADAED	2.8183	-0.19
AUDUSD	0.7284	--	0.7297	USDKWD	0.3061	+0.15	AUDAED	2.6764	+0.09
USDCHF	0.9154	+0.26	0.9055	USDBHD	0.3771	+0.00	CHFAED	4.0140	-0.14
EURGBP	0.8903	-0.79	0.8959	USDOMR	0.3848	-0.07	TRYAED	0.4500	-1.15
USDAED	3.6730	--	3.6755	USDINR	74.1788	+0.05	INRAED	0.0552	+11.54

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2214	0.4511	0.6950	0.8966	USD 2 yr	0.261	+1
USD LIBOR	0.1401	0.2136	0.2430	0.3381	USD 5 yr	0.507	+2
GBP LIBOR	0.0425	0.0446	0.0689	0.1380	USD 10 yr	0.970	+4
JPY LIBOR	-0.0982	-0.1020	-0.0638	0.0485	EUR 2 yr	-0.507	+1
CHF LIBOR	-0.8068	-0.7688	-0.7256	-0.6118	EUR 5 yr	-0.419	+1
					EUR 10 yr	-0.176	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1877.32	+0.77	ADGB 2.50 25	0.93	+1	Abu Dhabi	37	+2
Silver	24.23	+0.53	DUGB 3.89 25	2.23	+3	Bahrain	323	--
Oil (WTI)	41.36	+2.66	QATAR 3.4 25	1.04	-1	Dubai	124	+1
Aluminium	1887.80	+0.66	US Tsy 2 yr	0.18	+1	Oman	419	-5
Copper	6913.25	+0.14	US Tsy 10 yr	0.96	+4	Qatar	38	+2
						Saudi Arabia	66	+1

Source: Bloomberg, Emirates NBD Research

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