



بنك الإمارات دبي الوطني
Emirates NBD

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www.emiratesnbdresearch.com

Daily Outlook

There was more positive news on the fight against Covid-19 front yesterday, as Moderna announced that its vaccine had been nearly 95% effective in trials. This followed the 90% efficacy reported by Pfizer and BioNTech a week ago, making the effect on markets somewhat less pronounced, but no less positive for risk assets. Nevertheless, production and distribution of any approved vaccine will not be immediate, and in the meantime, the US continues to struggle with a rapid rise in new Covid-19 cases, which has led many states to impose new restrictions on movement and activity in recent days, a similar situation to that already seen in Europe.

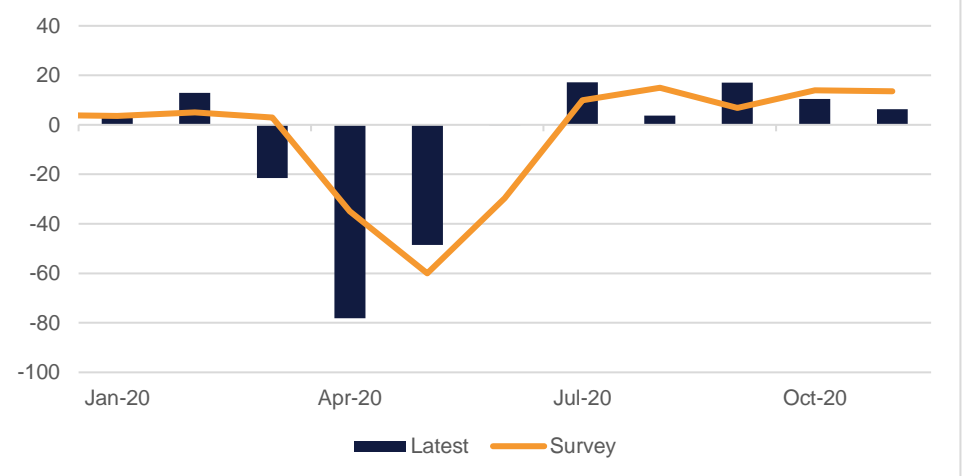
In this environment, the Empire manufacturing survey for November came in far weaker than had been anticipated. The latest print was just 6.3, which is down from 10.5 in October, and some measure below the consensus forecast of 13.5. The survey covers the New York Fed region, which is struggling with a resurgent virus. The November reading represents a three-month low.

The UAE central bank has extended the Targeted Economic Support Scheme (TESS) to run until end-June 2021. The scheme was initiated in March and provided zero cost loans to banks which could then extend support to their retail and corporate customers that were affected by the Covid-19 pandemic. The TESS had been due to expire at the end of the year. With the extension, banks will be able to extend deferrals to customers who qualify for support under the scheme.

Separately, Dubai's CPI declined -0.3% m/m and -3.4% y/y in October, as lower housing costs weighed on the headline index. Housing & utilities costs fell -1.3% m/m (-7.0% y/y) last month, the biggest monthly drop since March. Food prices declined m/m but were up 1.9% y/y. Transport, recreation & culture, clothing & footwear prices all declined on an annual basis. Inflation in Dubai has averaged -2.8% y/y in the first 10 months of 2020 after declining -3.0% in 2019.

Following on from GDP figures released earlier, we had final Japanese industrial production data for September released yesterday, which showed that growth remained steady at 3.9% m/m, compared to 4.0% in August. That was still down -9.0% y/y however, and the likelihood is that the fourth quarter will be weaker once again even as the government pledges a new fiscal stimulus package.

Empire manufacturing survey missed expectations



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
US retail sales advance m/m	17:30	0.5%	US industrial production m/m	18:15	1.0%

Source: Bloomberg, Emirates NBD Research

Fixed Income

News of more successful test results for a Covid-19 vaccine, this time from Moderna, helped to spur a risk-on rally, sapping strength away from US treasuries. However, the market seems to have largely priced in the development of a successful vaccine so the sell-off in treasuries was more muted. After an initial spike in response to the Moderna news, yields closed moderately higher on the long end of the curve: yields on the 10yr UST settled above 0.9%, a gain of less than 1bps while 2yr USTs settled slightly lower.

Emerging market and high yield bonds were the major beneficiaries of the risk-on move with the global high yield index gaining 0.36% and USD-denominated EM bonds rising by 0.14%. The Moderna vaccine appears to be less onerous in its deployment conditions so may be more readily accessible in markets with less developed health care infrastructure.

Aramco has mandated banks for another USD bond issuance to plug gaps in financing its dividends as income was hit by lower oil prices. The deal is likely be a multi-tranche issuance with tenors up to as long as 50 years.

FX

Major currency pairs gained at the expense of the dollar on the news of the Moderna vaccine results although they mostly ground higher, rather than popped up as they did last week. EURUSD rose by 0.15% to reach 1.1852 and has added more ground in early trade today. Sterling gained modestly although the outlook for more upside is growing as markets anticipate a trade deal with the EU could come as early as today.

Trade-oriented currencies gained strongly overnight and are largely consolidating those gains in trading today. The AUD rallied almost 0.7% to 0.732 against the greenback while the NZD jumped nearly 0.9% to 0.6904. Major emerging market currencies have opened stronger this morning with the CNY gaining 0.26% against the dollar while KRW, SGD and IDR are all in positive territory.

Equities

While the Moderna vaccine announcement had a moderately more muted effect on stocks compared to the initial good news from Pfizer a week earlier, it nevertheless spurred global equity markets higher still, with many indices closing at multi-month highs. In Europe, the FTSE 100 gained 1.7% to close at its highest level since June, while the CAC also gained 1.7%. All three major indices also gained in the US, with the NASDAQ, S&P 500 and the Dow Jones gaining 0.8%, 1.2% and 1.6% respectively.

This bullish market followed that already seen in Asia earlier in the day as the Japanese GDP growth figures added to the optimism already generated by the RCEP trade deal; the Nikkei gained 2.1% yesterday, while the Shanghai Composite closed 1.1% higher.

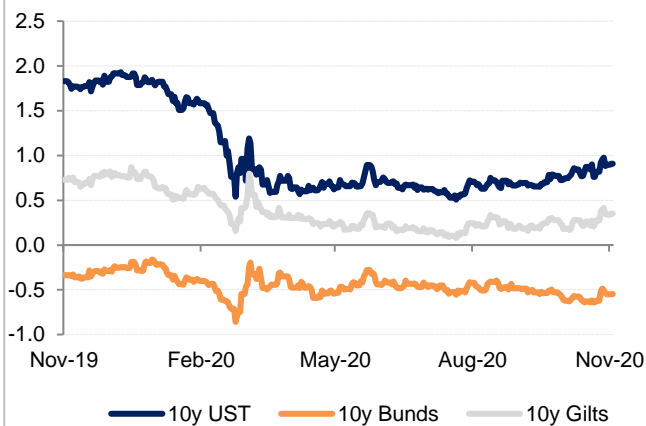
Commodities

Commodity prices were no exception to the risk-on rally. Brent futures added 2.4% to close at USD 43.82/b while WTI was up more than 3% at USD 41.34/b. Beyond the vaccine test news, oil prices were bolstered by a recommendation from the OPEC+ technical committee that advised the producers' bloc to extend current output levels for an additional six months from the start of 2021, rather than increase output as planned. The OPEC+ JMMC takes place today and may give further backing to the plan, rendering the OPEC meetings at the end of the month null.

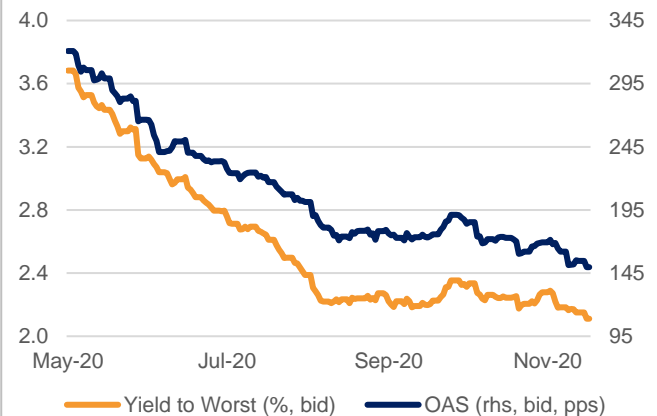
Outside of metals there were gains across the industrial metals complex with copper closing above USD 7,000/tonne for the first time June 2018 and the rest of the LME metals rising. Gold closed flat although the prospect of a successful vaccine could mean selling pressure increases on the haven asset.

Markets in Charts

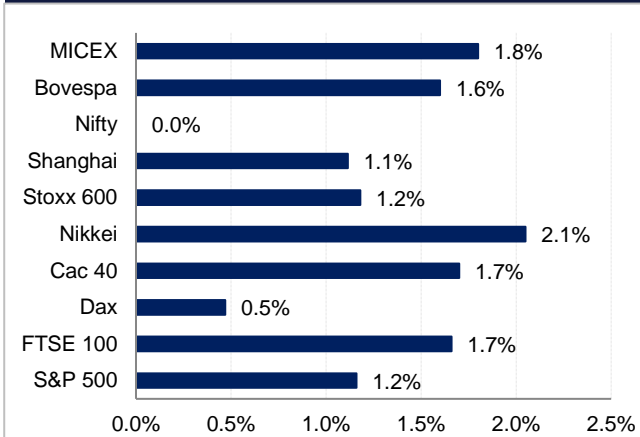
Global Bond Yields



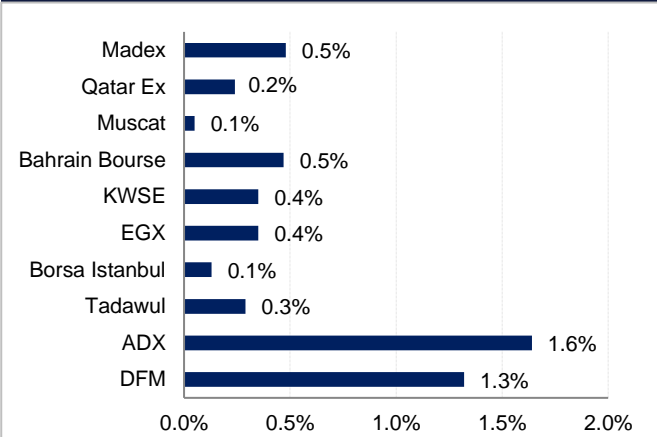
UAE liquid bond index



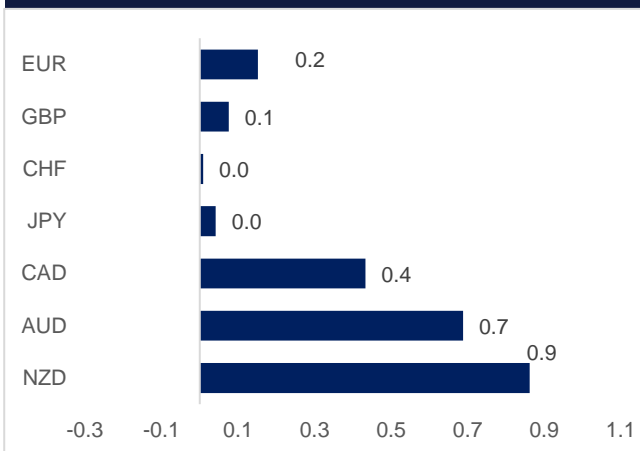
Global Equity Indices



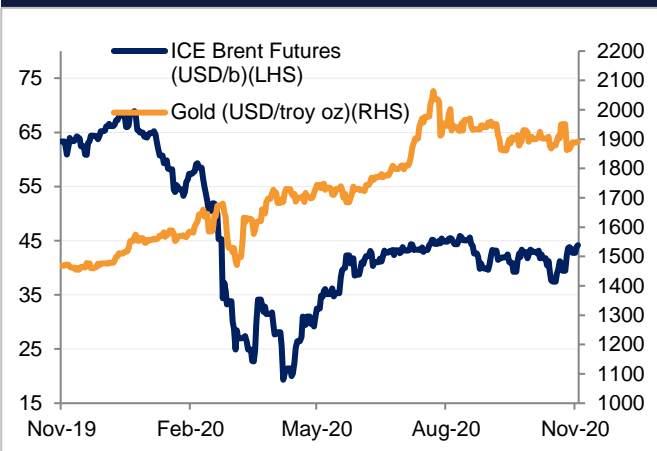
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1852	+0.15	1.1953	USDTRY	7.7059	+0.66	EURAED	4.3537	+0.14
GBPUSD	1.3199	+0.08	1.3228	USDEGP	15.6594	+0.13	GBPAED	4.8495	+0.10
USDJPY	104.58	-0.05	104.03	USDSAR	3.7505	--	JPYAED	0.0351	+0.05
USDCAD	1.3074	-0.48	1.3065	USDQAR	3.6800	-0.20	CADAED	2.8093	+0.43
AUDUSD	0.7320	+0.69	0.7334	USDKWD	0.3059	+0.03	AUDAED	2.6891	+0.70
USDCHF	0.9128	+0.01	0.9027	USDBHD	0.3771	+0.01	CHFAED	4.0253	+0.01
EURGBP	0.8980	+0.09	0.9036	USDOMR	0.3847	-0.06	TRYAED	0.4800	+0.04
USDAED	3.6730	--	3.6754	USDINR	74.6025	--	INRAED	0.0552	+12.21

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2209	0.3804	0.7217	0.6604	USD 2 yr	0.263	+0
USD LIBOR	0.1435	0.2204	0.2490	0.3396	USD 5 yr	0.472	+1
GBP LIBOR	0.0419	0.0478	0.0676	0.1326	USD 10 yr	0.907	+1
JPY LIBOR	-0.1005	-0.1027	-0.0625	0.0500	EUR 2 yr	-0.517	+0
CHF LIBOR	-0.8042	-0.7676	-0.7260	-0.6114	EUR 5 yr	-0.444	+1
					EUR 10 yr	-0.222	--

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1888.95	-0.01	ADGB 2.50 25	0.89	+0	Abu Dhabi	37	-2
Silver	24.77	+0.41	DUGB 3.89 25	2.15	-5	Bahrain	320	-2
Oil (WTI)	41.34	+3.02	QATAR 3.4 25	1.00	+0	Dubai	121	-3
Aluminium	1936.00	+1.04	US Tsy 2 yr	0.18	-0	Oman	414	--
Copper	7092.75	+1.82	US Tsy 10 yr	0.91	+1	Qatar	37	-2
						Saudi Arabia	66	-1

Source: Bloomberg, Emirates NBD Research

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