



بنك الإمارات دبي الوطني
Emirates NBD

Daily

7 December 2020

Daily Outlook

- **Brexit talks resumed on Sunday** after PM Boris Johnson and European Commission President Ursula von der Leyen spoke on Saturday. Talks has broken down at the end of last week after the UK accused the EU of making new demands and France threatened to veto a deal that wasn't in its interests. Fishing rights, "the level playing field" (ie government subsidies, competition and environmental regulations) and the governance of any agreement remain the key sticking points. A deal would need to be reached by Thursday's EU summit, which would allow time for all governments to ratify the agreement before 31 December.
- **US jobs data disappointed in November.** Non-farm payrolls rose 245k last month, well below expectations for a 460k increase. The October reading was also revised lower to 610k from 638k. The rise in coronavirus cases and renewed restrictions on activity in some parts of the country weighed on the November employment figures, particularly in the services sector. This is likely to deteriorate further in the December jobs report as coronavirus cases continued to rise and further restrictions have been imposed in recent weeks. The unemployment rate fell 0.2pp to 6.7% as the labour force participation rate declined from October to 61.5%.
- **There is growing support for a bipartisan fiscal stimulus worth USD 908bn in the US,** although the current proposal does not include another round of direct cheques to households. It makes provision for USD 300/week in enhanced unemployment benefits, more support for small businesses and extra funds for state and local governments. Congress also needs to pass government funding bills to avert a government shutdown from Friday 11 December.
- **China's exports grew 21.1% y/y in USD terms in November,** much faster than the consensus forecast of 12.0% y/y while import growth was softer than expected at 4.5% y/y. The data suggests that global demand remained strong in November despite the reimposition of some restrictions in major economies on the back of higher coronavirus cases.
- **Saudi Arabia's PMI rose to 54.7 in November from 51.0 in October** and was the highest reading since January 2020. Output and new work rose at a faster rate and employment was slightly above the neutral 50-reading for the first time since the pandemic. Encouragingly, panelists were more optimistic about their future output than they have been since the start of the year, as the prospect of an effective vaccine and further easing of restrictions have improved the outlook.
- **Saudi Arabia's private sector credit growth accelerated to 15.2% y/y in October,** the fastest annual growth since October 2014. Money supply growth also accelerated slightly to 10.8% y/y from 10.6% y/y in September. The central bank's net foreign assets declined by USD1bn to USD 441.9bn at the end of October. The value of point of sale transactions rose 1.3% m/m and 33.9% y/y.
- **Egypt's PMI slipped to 50.9 in November from 51.4 in October** as output and new orders increased at a slower rate. Firms were increasingly concerned about the second wave of Covid19 infections in Europe weighing on the global recovery, and Egypt's exports.

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
German IP	11:00	1.6%			

Source: Bloomberg, Emirates NBD Research

Fixed Income

- **Treasury markets continued to sink last week as poor jobs data from the US for November reinforced the need for fiscal support measures** while risk assets continued to power ahead. Yields on long-dated USTs gained with the 10yr UST closing at 0.9659%, a near 13bps gain over the course of the week. However, with short-run yields staying reasonably steady—the 2yr yield closed at 0.1507%, less than 1bp of movement w/w—the curve steepened considerably to more than 80bps on the 2s10s.
- **Emerging market bonds ended the week higher**, gaining 0.4% w/w to extend their rally to five weeks in a row. Local UAE dollar denominated bonds gained, albeit by 0.2%, to extend their rally to five consecutive weeks.

FX

- **Movement amongst major currencies was mixed last week.** The DXY index, a measure of the dollar against a basket of major currencies, retreated from highs of 92.800 early on and settled at a low of 91.782, close to its lowest point all year in September of 91.746, and this downtrend is likely to continue. USDJPY's reversal from highs of 104.76 extended beyond the 104 handle before finishing at 104.09, still an increase from the week prior's closing price but further losses are expected.
- **EUR settled at 1.1963, its highest point since April 2018**, amid broad-based USD weakness. Sterling fluctuated between 1.3400 - 1.3260 before closing at 1.3311, reacting to renewed market pessimism regarding Brexit, particularly after Michel Barnier, the EU's chief negotiator, warned that big disagreements persist between the two sides. Both the AUD and NZD finished at their strongest points all year and their strongest points since 2018 at 0.7387 and 0.7027 respectively. Excellent Covid-19 containment in both countries have supported the currencies, alongside USD weakness.

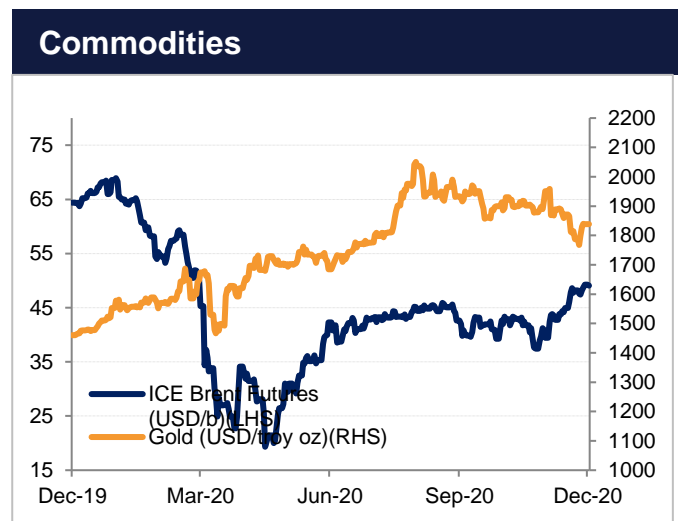
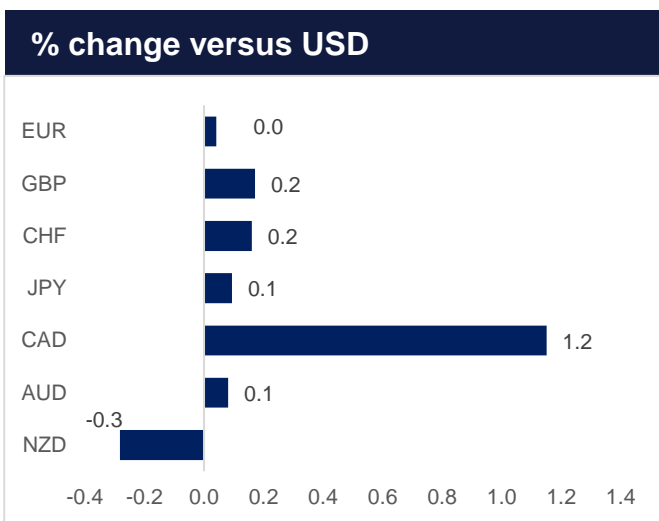
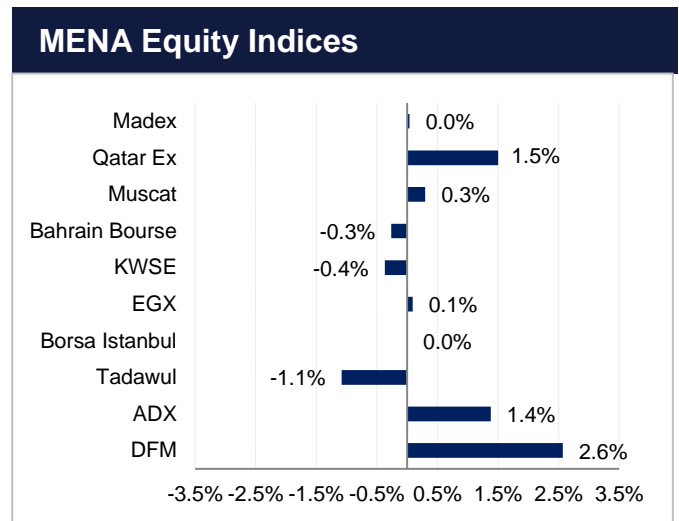
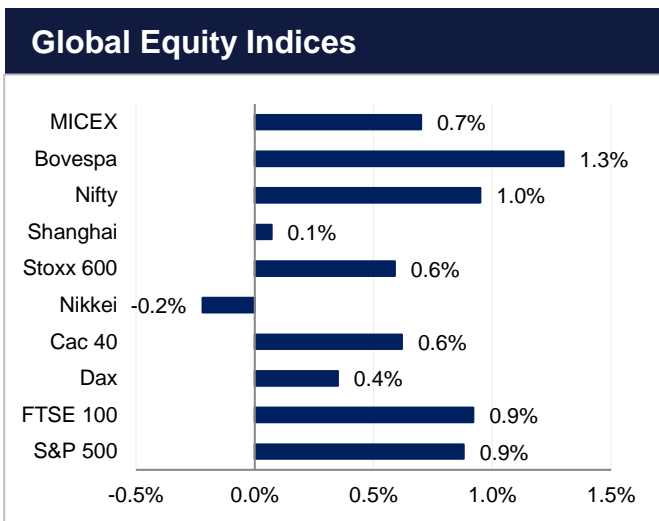
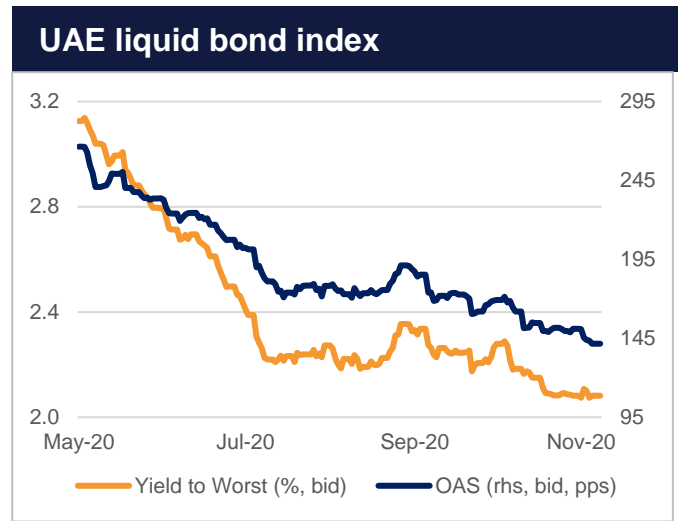
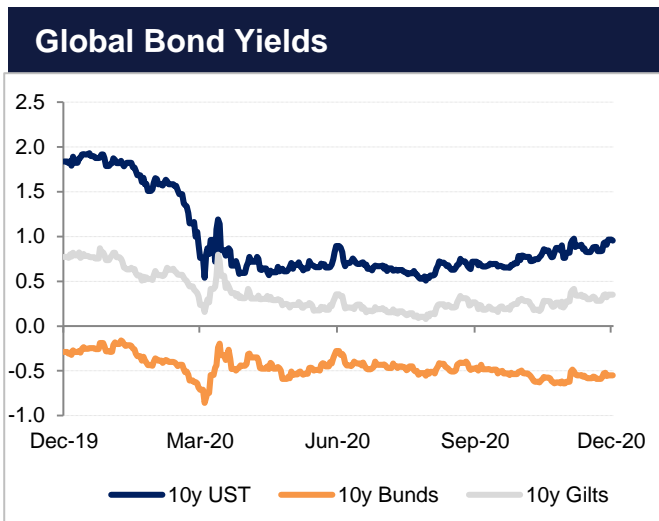
Equities

- **Benchmark equity indices ended the week on a high** with the Dow and S&P 500 gaining more than 0.8% on Friday while European markets were all strongly in positive territory. The disappointing US jobs report for November seems to have convinced markets that additional support measures will be coming even as the labour force shrank last month and Covid-19 still haunts the global economy.

Commodities

- **Oil prices extended their gains last week on news that OPEC+ would only deliver a small increase in production from the start of January**, rather than unload a substantial amount of oil that the market may not have been prepared to absorb. Brent futures rallied more than 7% to settle at USD 49.25/b, within sight of USD 50/b, while WTI was up more than 8% to close at USD 46.26/b.
- **Time spreads have also improved considerably** with longer dated spreads (1-12 months) in the Brent market nearing in on a backwardation of USD 1/b compared with a contango of almost USD 3/b a month ago. With only a small increase planned for January 2021, OPEC+ output levels will keep the market in consistent draws for the first months of the year, provided compliance is strong.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2121	+0.04	1.2226	USDTRY	7.8011	-0.50	EURAED	4.4715	+0.48
GBPUSD	1.3441	+0.17	1.3469	USDEGP	15.6736	+0.03	GBPAED	4.9451	+0.34
USDJPY	104.17	-0.12	103.63	USDSAR	3.7510	--	JPYAED	0.0353	+0.28
USDCAD	1.2784	-1.14	1.2778	USDQAR	3.6800	-0.61	CADAED	2.8561	+0.56
AUDUSD	0.7425	+0.08	0.7440	USDKWD	0.3043	-0.04	AUDAED	2.7268	+0.07
USDCHF	0.8922	-0.13	0.8823	USDBHD	0.3771	-0.00	CHFAED	4.1249	+0.33
EURGBP	0.9022	-0.08	0.9082	USDOMR	0.3850	+0.00	TRYAED	0.4700	+0.33
USDAED	3.6730	--	3.6756	USDINR	73.7887	-0.19	INRAED	0.0552	+11.14

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2433	0.3323	0.5229	0.5200	USD 2 yr	0.231	-0
USD LIBOR	0.1518	0.2259	0.2558	0.3368	USD 5 yr	0.481	+2
GBP LIBOR	0.0343	0.0353	0.0521	0.1264	USD 10 yr	0.973	+5
JPY LIBOR	-0.1085	-0.1030	-0.0620	0.0553	EUR 2 yr	-0.531	-1
CHF LIBOR	-0.8384	-0.7864	-0.7328	-0.6116	EUR 5 yr	-0.457	-0
					EUR 10 yr	-0.235	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1838.86	-0.12	ADGB 2.50 25	0.89	+2	Abu Dhabi	36	-1
Silver	24.19	+0.26	DUGB 3.89 25	2.06	-0	Bahrain	264	--
Oil (WTI)	46.26	+1.36	QATAR 3.4 25	1.01	+1	Dubai	118	-1
Aluminium	2030.10	+0.69	US Tsy 2 yr	0.15	+0	Oman	376	--
Copper	7750.75	+1.07	US Tsy 10 yr	0.97	+6	Qatar	36	--
						Saudi Arabia	65	-2

Source: Bloomberg, Emirates NBD Research

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