



## Daily Outlook

- **The UK and the EU are still “far apart” in trade talks after PM Johnson met EC President von der Leyen yesterday.** The two leaders agreed that talks would continue through the weekend to try and overcome fundamental differences on the issues of “the level playing field” and fishing rights. The UK sees rules around subsidies and business regulation as an issues of sovereignty but the EU have said a “level playing field” for business is necessary for any trade deal. Fishing is not a big contributor to either economy’s GDP but both sides view the issue as important politically. The pound weakened in the absence of a breakthrough during the talks.
- **Talks on fiscal stimulus dragged on in the US.** While there appears to be broad agreement on the size of a new package, Republicans and Democrats haven’t agreed on the specific measures to be included with aid to state & local government and liability protection for businesses seemingly the main sticking points. The lack of progress on a fiscal package weighed on US equities in yesterday’s session.
- **Inflation data in the US is due today,** with headline CPI expected to rise 0.1% m/m and 1.1% y/y.
- **The Bank of Canada kept rates on hold at 0.25% as expected yesterday.** The statement said the BoC would “keep interest rates low across the yield curve”.
- **The ECB is expected to announce an expansion in its Pandemic Emergency Purchase Programme (PEPP) at today’s meeting,** and to extend the program until mid-2022. The Bank could also increase TLTROs as it looks to provide as much support as is needed for the Eurozone economy, which is likely to contract in Q4 2020. The ECB will also be publishing updated economic forecasts today.

### Today’s Economic Data and Events

	Time	Cons.		Time	Cons.
UK Industrial Production m/m	11:00	0.3%	ECB deposit facility	16:45	-0.5%
US initial jobless claims	17:30	725k	US continuing claims	17:30	5.21mn
US CPI y/y	17:30	1.1			

Source: Bloomberg, Emirates NBD Research

## Fixed Income

- **Treasury market moves were tentative overnight despite some sharp downward adjustments in risk assets.** The curve bear steepened overnight with 2yr UST yields slipping back below 0.15% while the 10yr gained 2bps to 0.9361%.
- **Major European bonds closed lower even as Brexit negotiations remain fraught.** Yields on bunds were marginally higher at 0.259% but haven fallen around 10bps since the end of last week as markets shift to pricing in greater odds of a no deal Brexit.
- **Fitch affirmed several UAE bank ratings overnight.** FAB was affirmed at 'AA-' with a stable outlook; ADCB at 'A+' with a stable outlook and Dubai Islamic Bank at 'A', also with a stable outlook. Emirates NBD was affirmed at 'A+' with a stable outlook..

## FX

- **The DXY index pared early losses to reach 91.2 on Wednesday evening** and remains just above the 91 handle as renewed stimulus hopes provided a boost for the greenback. USDJPY is rising this morning and sits at 104.50.
- **Major currencies paired against the USD subsequently weakened.** The EUR fell from 1.2147 to lows of 1.2059 and currently trades at 1.2090. Sterling dropped from 1.3478 to reach 1.3365, still a minor move on the day but growing Brexit concerns continue to weigh on the GBP. The AUD fell from 0.7458 but remains strong this morning at 0.7470, whilst the NZD dropped from 0.7095 to reach 0.7030.

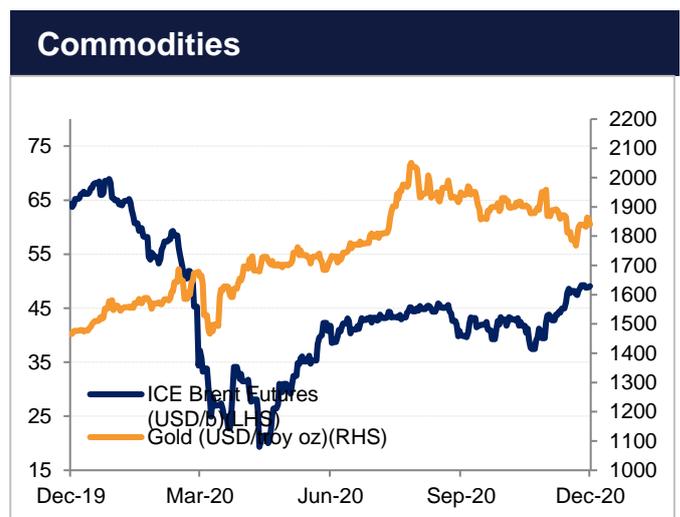
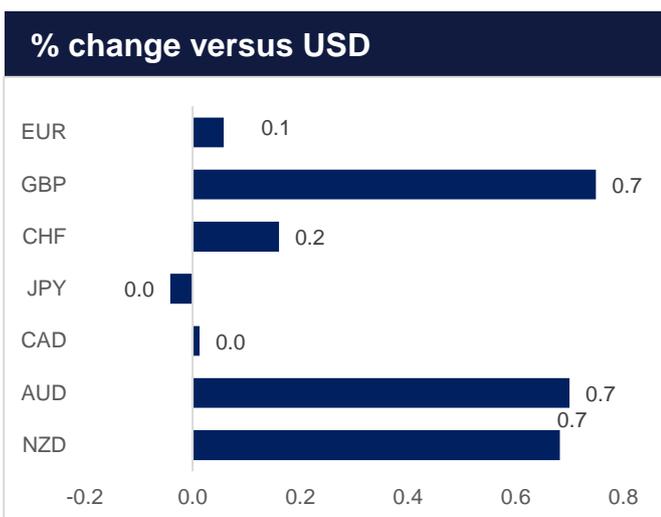
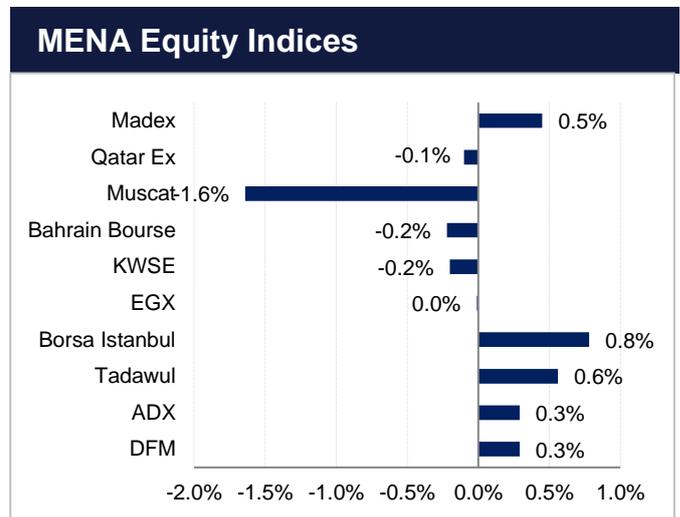
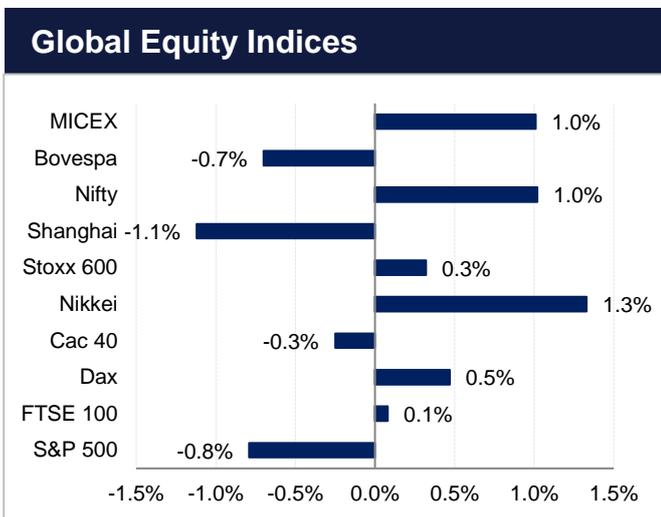
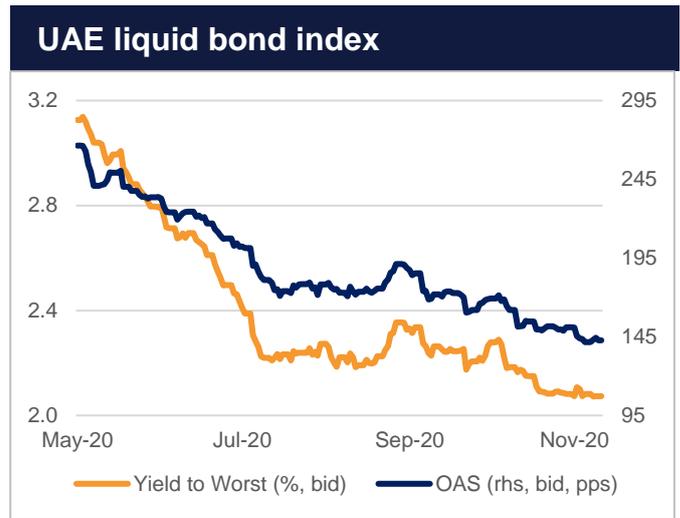
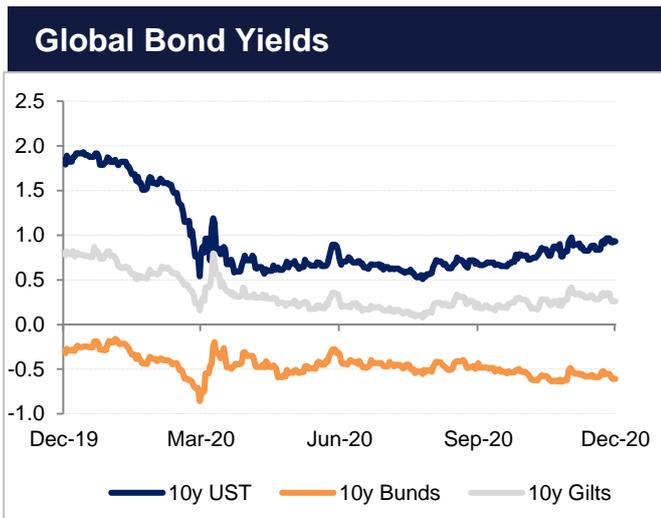
## Equities

- **Equity markets were mixed yesterday, but the trend was generally for lower closes,** with all three major US indices losing. The Dow Jones and the S&P 500 lost -0.4% and -0.8% respectively, while the NASDAQ closed nearly -2% lower as the tech sector continues to be targeted by antitrust officials.
- **In Europe, the CAC lost -0.3% while the DAX gained 0.5%.** In the UK, the FTSE 100 closed up 0.1% as the index was buffeted through the day by Brexit news. While it had traded higher earlier in the day, it nevertheless managed to cling on to the recent gains which have seen it return to levels last seen in March.
- **Local markets were mixed,** but the DFM (0.3%) and the Tadawul (0.6%) both closed higher.

## Commodities

- **Oil markets seemed to ignore the massive build in US crude inventories overnight with both Brent and WTI futures closing with relatively muted changes** despite some wide intraday moves. Brent continues to dance close to USD 50/b but has so far failed to move past it. WTI is holding at around USD 46/b, essentially where it has spent most of December.
- **US crude inventories rose by over 15m bbl last week, the second largest weekly build on record.** Imports were up by over 1m b/d last week, contributing to the build in inventories as production held steady at 11m b/d and refinery inputs rose. Exports also fell back sharply, by more than 2m b/d last week.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2121	+0.06	1.2230	USDTRY	7.8268	+0.13	EURAED	4.4520	+0.06
GBPUSD	1.3452	+0.75	1.3484	USDEGP	15.6901	+0.13	GBPAED	4.9407	+0.73
USDJPY	104.10	+0.03	103.53	USDSAR	3.7514	-0.01	JPYAED	0.0353	-0.02
USDCAD	1.2786	-0.03	1.2778	USDQAR	3.6800	+0.07	CADAED	2.8728	+0.03
AUDUSD	0.7479	+0.70	0.7497	USDKWD	0.3048	+0.09	AUDAED	2.7468	+0.67
USDCHF	0.8889	-0.18	0.8787	USDBHD	0.3771	+0.00	CHFAED	4.1325	+0.16
EURGBP	0.9011	-0.68	0.9070	USDOMR	0.3850	+0.06	TRYAED	0.4700	+0.02
USDAED	3.6730	--	3.6756	USDINR	73.5625	+0.05	INRAED	0.0552	+10.67

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2335	0.3578	0.5593	0.5869	USD 2 yr	0.232	+0
USD LIBOR	0.1479	0.2206	0.2508	0.3359	USD 5 yr	0.465	+1
GBP LIBOR	0.0240	0.0369	0.0395	0.1123	USD 10 yr	0.949	+1
JPY LIBOR	-0.1097	-0.1040	-0.0617	0.0510	EUR 2 yr	-0.544	-0
CHF LIBOR	-0.8470	-0.7904	-0.7428	-0.6234	EUR 5 yr	-0.481	-0
					EUR 10 yr	-0.267	-0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1839.55	-1.66	ADGB 2.50 25	0.90	-0	Abu Dhabi	36	--
Silver	24.26	-1.15	DUGB 3.89 25	2.04	-0	Bahrain	258	+5
Oil (WTI)	45.52	-0.18	QATAR 3.4 25	1.01	+1	Dubai	113	--
Aluminium	2022.20	+2.65	US Tsy 2 yr	0.15	-0	Oman	362	--
Copper	7705.50	+0.35	US Tsy 10 yr	0.94	+2	Qatar	36	-1
						Saudi Arabia	65	-1

Source: Bloomberg, Emirates NBD Research

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