Emirates NBD

Daily

17 December 2020

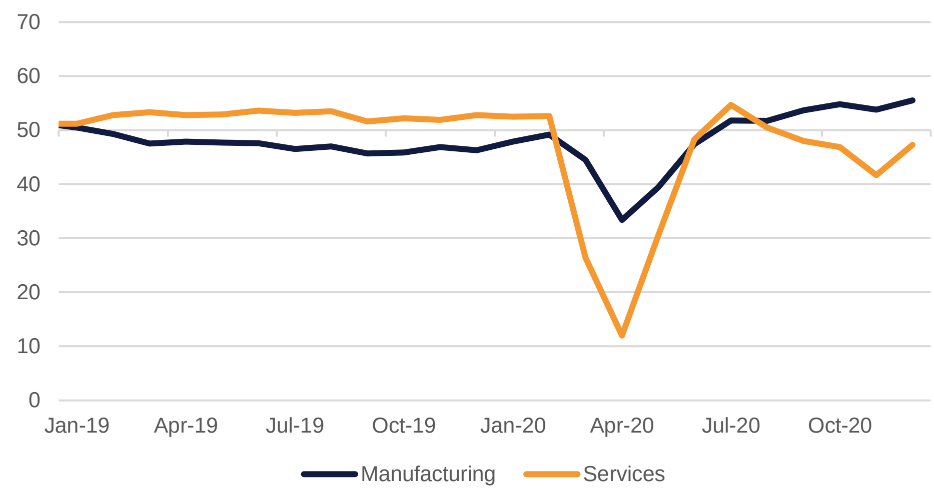
www.emiratesnbdresearch.com

Daily Outlook

- There was little substantive change in policy from the FOMC meeting yesterday, but the use of the word 'substantial', in terms of the form of the recovery needed before asset purchases would be eased, led observers to speculate that the USD 120/month asset purchase programme would extend for longer than previously anticipated. Chair Jerome Powell warned that the next several months would be challenging for the economy, but that the outlook for the second half of 2021 was markedly brighter. Policymakers indicated that the Fed funds rate would stay at its current near-zero levels through into 2023.
- The PMI surveys for the UK showed mixed fortunes between the services and the manufacturing sectors, illustrating the differing impacts of the pandemic crisis on the two parts of the economy. The services survey missed expectations of 50.7, and came in at a contractionary (just) 49.9 for the month. Meanwhile, manufacturing exceeded projections of 56.0 to hit 57.3. However, much of these extra gains were driven by the stockpiling that has been taking place ahead of the end of the UK's Brexit transition period. Job shedding slowed, but the composite employment indicator was still far below the neutral 50 level at 46.5.
- These mixed fortunes were similarly highlighted by the composite Eurozone PMI surveys, with manufacturing at 55.5 and services at 47.3. It is worth noting that the two of these results both exceeded consensus forecasts, and were stronger than the previous month. However, the final reading could see a downward revision given the later respondents will likely have seen the coming restrictions that have now been reimposed in Germany, Netherlands and France in particular.
- The governor of the Turkish central bank, Naci Agbal, has reaffirmed the body's commitment to curbing inflation and raising reserves. In a presentation he highlighted that 'Upside risks to inflation require the monetary policy stance to be tight and decisive in 2021', and that 'Monetary policy decisions will be taken by giving priority to price stability.'

This is our last Daily Outlook publication for 2020; we will resume in January 2021 and wish all our readers well over the festive season.

Services the laggard in Eurozone PMI survey



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
Bank of England bank rate	16:00	0.1%	US initial jobless claims	17:30	813k

Source: Bloomberg, Emirates NBD Research

Fixed Income

- The outcome of the December FOMC hardly rocked US Treasury markets although it confirmed that the Federal Reserve will be in the market for treasuries for longer than previously expected. The Fed will maintain its USD 120bn/month of asset purchase until the economy reached “substantial further progress” on employment and inflation but there was no indication what levels would need to be reached to change the current QE policy, either up or down.

- After an initial sell-off, USTs rallied toward the close of trading and the curve was barely changed with the 2yr at 0.115% and the 10yr closing at 0.9163%. The Fed also revised its economic forecasts to reflect the faster than expected recovery in the US economy: the Fed now expect the economy to shrink by 2.4% in 2020 (from 3.7% previously) and to grow by 4.2% next year.

- Today markets will be looking to the Bank of England for their latest policy decision despite the uncertainty on whether the UK will secure a Brexit deal and what shape the British economy will be in next year.

FX

- After an initial spike in line with yields following the FOMC announcement the dollar sold off sharply and ended the day lower. Gains are extending on the DXY index in early trade this morning with the index holding at 90.13.

- The Euro was the major winner on the day following better than expected PMI readings for November. The single currency closed up 0.4% at 1.22 and is tentatively pushing higher in early trade today. Sterling also managed to extend gains, moving above 1.35, a gain of 0.36%.

- Elsewhere the sell-off in the dollar remains widespread with both the AUD and NZD gaining while the CAD slipped.

Equities

- Risk-on tone in equity markets continued yesterday as optimism around US fiscal stimulus, Covid-19 vaccines and a Brexit trade deal continued to boost equities. The FTSE 100 closed 0.9% higher, with the optimism extending into Europe with the CAC (0.3%) and the DAX (1.5%) also gaining.

- In the US, the NASDAQ closed up 0.5% and the S&P 500 0.2%, but the Dow Jones ended the day -0.2% lower.

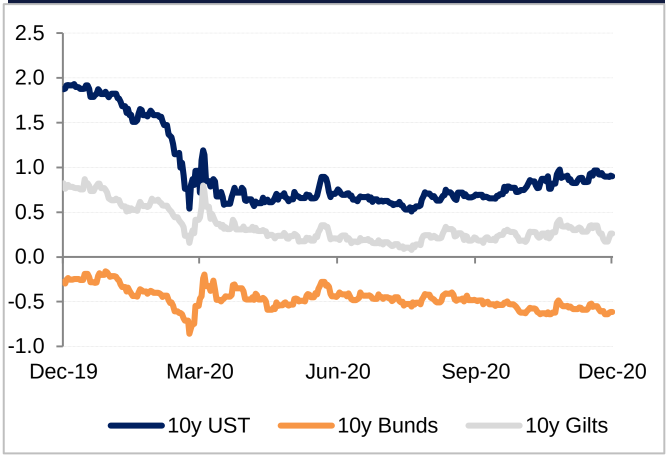
Commodities

- Brent futures closed above USD 51/b overnight, a gain of 0.6% and their highest level since March. WTI settled at USD 47.82/b a gain of 0.4% but is up to more than USD 48/b this morning.

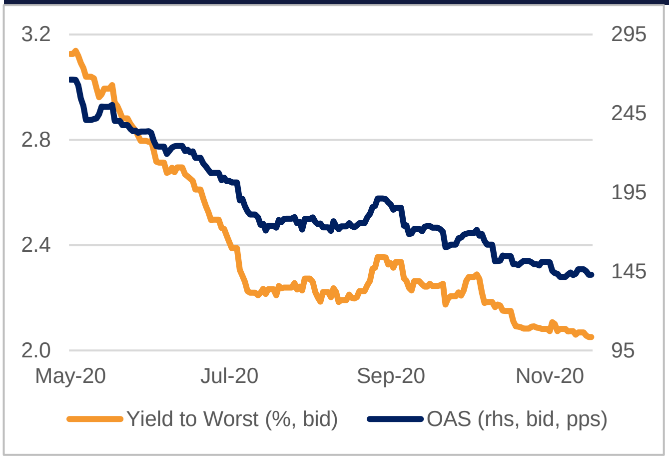
- Data from the EIA was relatively constructive with total US crude inventories drawing by 3m bbl last week although performance across the rest of the barrel was more mixed. Production in the US fell, by 100k b/d last week, to 11m b/d while product supplied (a proxy for demand) was up by 800k b/d w/w.

Markets in Charts

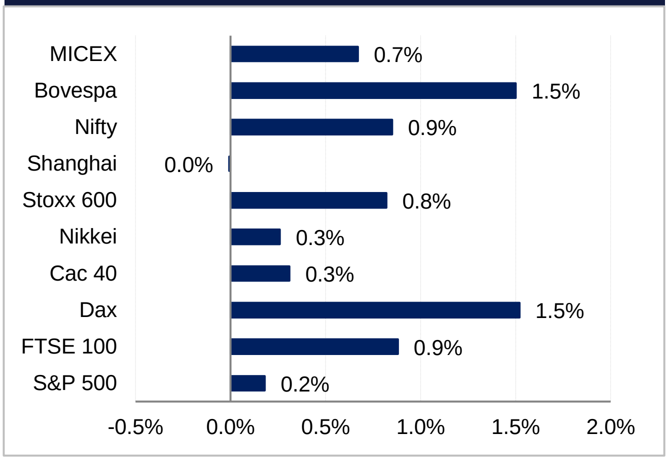
Global Bond Yields



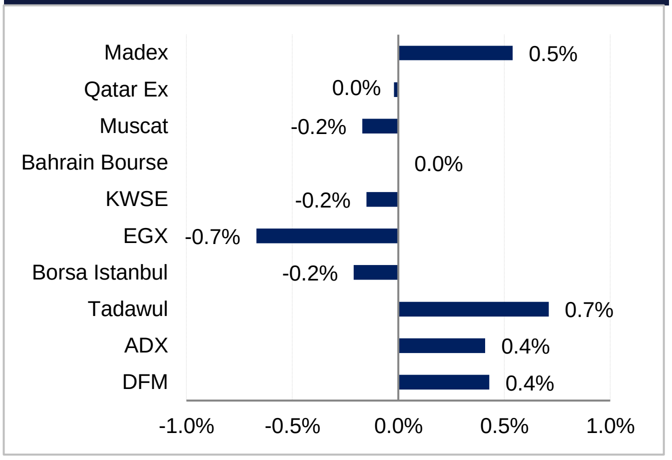
UAE liquid bond index



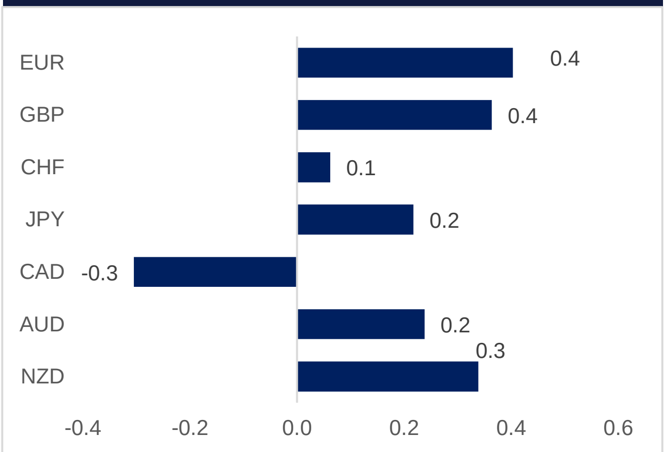
Global Equity Indices



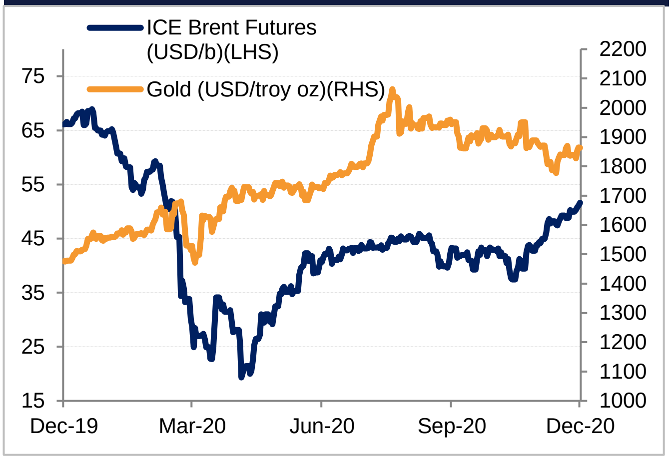
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2200	+0.40	1.2307	USDTRY	7.8000	-0.44	EURAED	4.4807	+0.39
GBPUSD	1.3509	+0.36	1.3538	USDEGP	15.6940	-0.16	GBPAED	4.9618	+0.32
USDJPY	103.47	-0.19	102.93	USDSAR	3.7516	--	JPYAED	0.0355	+0.22
USDCAD	1.2743	+0.33	1.2735	USDQAR	3.6800	+1.06	CADAED	2.8831	-0.31
AUDUSD	0.7577	+0.24	0.7594	USDKWD	0.3041	-0.10	AUDAED	2.7831	+0.26
USDCHF	0.8854	-0.03	0.8753	USDBHD	0.3770	-0.01	CHFAED	4.1497	+0.06
EURGBP	0.9031	+0.04	0.9090	USDOMR	0.3850	--	TRYAED	0.4700	+0.25
USDAED	3.6729	-0.00	3.6757	USDINR	73.5875	-0.07	INRAED	0.0552	+10.87

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2226	0.4590	0.5693	0.8500	USD 2 yr	0.204	+0
USD LIBOR	0.1525	0.2288	0.2518	0.3313	USD 5 yr	0.434	+0
GBP LIBOR	0.0259	0.0426	0.0384	0.1056	USD 10 yr	0.920	+1
JPY LIBOR	-0.0847	-0.0988	-0.0538	0.0555	EUR 2 yr	-0.528	+2
CHF LIBOR	-0.8280	-0.7924	-0.7428	-0.6216	EUR 5 yr	-0.467	+2
					EUR 10 yr	-0.264	+3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1864.80	+0.60	ADGB 2.50 25	0.86	-2	Abu Dhabi	37	--
Silver	25.33	+3.40	DUGB 3.89 25	1.99	-1	Bahrain	255	--
Oil (WTI)	47.82	+0.42	QATAR 3.4 25	0.98	+1	Dubai	110	--
Aluminium	2021.25	+0.44	US Tsy 2 yr	0.12	+0	Oman	366	--
Copper	7813.50	+0.68	US Tsy 10 yr	0.92	+1	Qatar	38	--
						Saudi Arabia	65	-1

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12thFloor
Baniyas Road, Deira
P.OBox777
Dubai

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratersnbd.com

Khatija Haque
Head of Research &
Chief Economist
+9714 230 7803
khatijah@emiratesnbd.com

Research

Edward Bell
Senior Director, Market Economics
+9714 230 7701
edwardpb@emiratesnbd.com

Shady Shaher Elborno
Head of Macro Strategy
+9714 609 3015
shadyb@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Jamal Mattar
Research Analyst
+9714 444 3607
jamaly@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Abdulazeez Adm AlSomali
+966 11 282 5623
abdulazeezso@emiratesnbd.com

Singapore Sales
Shivakumar Srinivasan
+65 6578 5620
shivakumars@emiratesnbd.com

London Sales
Carlo de Vos
+44 (0) 207 838 2279
devosc@emiratesnbd.com

Egypt Sales
Ahmad Okasha
+202 2726 5934
aokasha@emiratesnbd.com

India Sales
Ashish Pahuja
+91 22 6813 6202
ashishpa@emiratesnbd.com

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@emiratesnbd.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com