



بنك الإمارات دبي الوطني
Emirates NBD

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Tim Fox
Chief Economist
+971 4 230 7800
timothyf@emiratesnbd.com

www.emiratesnbdresearch.com

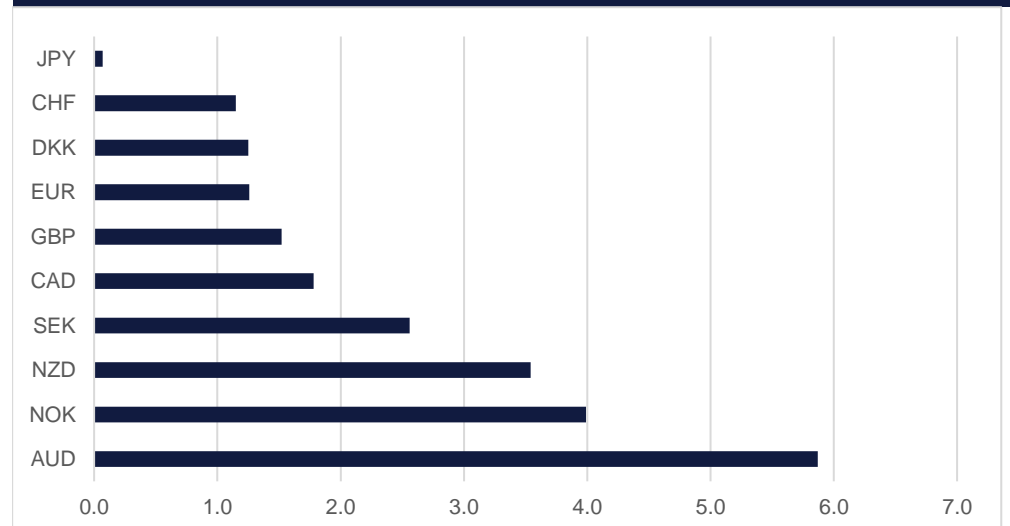
FX Week

With risk appetite recovering last week currencies rose at the USD's expense, led by the AUD (+5.3%) which is highly correlated to the global growth cycle, and by the NOK (+4%) which benefited from optimism that OPEC+ would agree to cut oil production. Other commodity currencies like the NZD and the CAD were also among the strongest. The Fed's injection of another USD2.3 trillion into the US economy, along with an assortment of other packages from around the world helped assuage fears about the knock-on effects from the shutdowns. More evidence that rises in coronavirus cases are beginning to slow also offered support to asset markets, although the US has now become the epicenter of the global pandemic, with over 20,000 deaths, and the news over the weekend showed that death rates elsewhere remain elevated and improvements patchy.

With lockdowns appearing likely to be extended into May, there may now be a limit to how much more markets can benefit from the announcement of stimulus measures alone, although policymakers continue to pledge that they still have more in their tool kits. **With interest turning to the ability of economies to rebound after lockdowns come to an end, debates about exit strategies are increasing which means that upcoming economic data may become more relevant to see what is actually at stake.** UK GDP data last week showed the UK economy already contracting 0.1% m/m in February before the crisis struck, which augurs badly for Q1 data as a whole once the March data is added, to say nothing of Q2. The decline in US activity shows no signs of abating either, with weekly initial jobless claims surging by another 6.6 million and the University of Michigan measure of consumer confidence falling by 18.1 in April. March industrial production and retail sales data in the coming week will provide harder evidence of the extent to which activity has been affected. **The start of the corporate earnings season may also provide a reality check on improving sentiment,** although the week will begin slowly with many markets remaining on holiday on Monday including the UK and the Eurozone.

The EUR rose by 1.26% against the USD, helped in part by EU finance ministers finally agreeing a EUR500mn support package for EU economies. There will be a new unemployment re-insurance scheme, liquidity support from the EIB (European Investment Bank) for small and medium sized companies, and access to EUR240bn of credit lines to sovereigns provided by the European Stability Mechanism (ESM). Unlike the original bailout funds, for which the ESM was set up, these will come with very few conditions attached. Although the collective amount was substantial, the reliance on the ESM and the failure to agree to jointly issue debt (or so called 'Coronabonds') was controversial and may result in political tensions rising between Italy and the Eurozone in coming months. **UK markets will no doubt be relieved by the improving health of UK Prime Minister Johnson which could lend some support to GBP,** but like elsewhere attention will remain focused on the length of the UK's lockdown and how and when an exit strategy is introduced

Weekly currency movement vs USD (%)



Source: Bloomberg, Emirates NBD Research

FX Forecasts

FX Forecasts – Major					Forwards			
	10-Apr	Q2 2020	Q3 2020	Q4 2020		3m	6m	12m
EURUSD	1.0937	1.0500	1.1000	1.1200		1.0966	1.0995	1.1053
USDJPY	108.47	107.00	110.00	112.00		108.16	107.87	107.28
USDCHF	0.9662	0.9600	1.0000	1.0000		0.9630	0.9599	0.9534
GBPUSD	1.2455	1.2000	1.3000	1.3500		1.2465	1.2472	1.2481
AUDUSD	0.6349	0.6000	0.6000	0.5900		0.6350	0.6350	0.6348
NZDUSD	0.6077	0.6000	0.5800	0.5800		0.6072	0.6067	0.6057
USDCAD	1.3956	1.400	1.3800	1.3500		1.3937	1.3925	1.3918
EURGBP	0.8780	0.8750	0.8462	0.8296		0.8796	0.8815	0.8855
EURJPY	118.57	112.35	121.00	125.44		118.57	118.57	118.57
EURCHF	1.0570	1.008	1.1000	1.1200		1.0562	1.0556	1.0540
	10-Apr	Q2 2020	Q3 2020	Q4 2020		3m	6m	12m
SAR	3.7625	3.7500	3.7500	3.7500		-	3.7631	3.7678
AED	3.6730	3.6730	3.6730	3.6730		3.6752	3.6775	3.6821
KWD	0.3110	0.3020	0.3020	0.3020		0.3116	0.3122	-
OMR	0.3850	0.3850	0.3850	0.3850		0.3895	0.3941	0.4035
BHD	0.3778	0.3770	0.3770	0.3770		0.3761	0.3761	0.3777
QAR	3.6607	3.6400	3.6400	3.6400		3.6545	3.6500	3.6450
EGP	15.7696	15.7500	16.0000	16.0000		16.3200	16.9350	18.1850
INR	76.290	75.000	73.000	71.000		77.9700	78.8300	80.3600
CNY	7.0360	7.2000	7.2000	7.2000		7.0528	7.0651	7.0996
SGD	1.4129	1.40	1.40	1.35		1.4122	1.4107	1.4103
					3.7503			
	10-Apr	Q2 2020	Q3 2020	Q4 2020				
MAD	10.2188	10.5000	10.5000	10.0000		10.2656	10.3188	10.3344
TND	2.8944	3.0000	3.2000	3.0000		2.9694	3.0444	3.1944
TRY	6.7044	6.9000	7.0000	6.7000		-	-	-

Source: Bloomberg, Emirates NBD Research
 *Denotes USD peg

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

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

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

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

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

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

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

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

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

Sales & Structuring

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

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
+20 22 726 5040

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