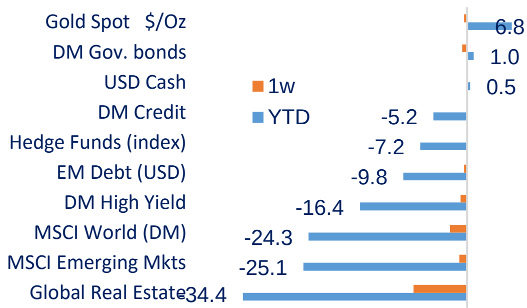
The beginning of a crucial quarter

- **The attempt at market stabilization last week was halted by March economic data**
- **Job market crashed in the US like never before, questioning the outlook**
- **The pandemic spreads in the West, and infections have been rising in Asia**

Last week was under the influence of two opposite forces. On the positive side, the Fed extended dollar liquidity to the world and hopes rose for a truce in the oil war, sparking a rally in Brent price to 30$. But March economic data revealed an economic disruption of unprecedented magnitude. The highly flexible US labor market crashed with 6 million initial jobless claims, and the loss of 700.000 jobs in March. As the US consumer alone represents almost 15% of the world GDP, dire economic implications loom large. Despite signs of inflexion in Italy, the peak of the pandemic is not yet in sight in the West and additional restrictions are being put in place in Asia, in areas which did well so far. The truce is also not certain on oil, with next week's OPEC+ meeting being rescheduled and President Trump adding pressure by threatening to use tariffs to protect US energy jobs.

For the near term, we remain in the eye of the storm. April and the quarter which just starts will provide more depressing economic and earnings data and the pandemic should get worse before being defeated. Policy responses are proportionate and being progressively implemented, with the latest being another reduction in the reserve ratio from the PBOC, but everything depends on restrictions being relaxed in the coming months - with the risk of severe damage if they don't. It is a crucial quarter. We keep on believing that medium to long term expected returns are positive, but we urge our clients to avoid any short-term bet and excessive leverage, as volatility should remain extreme.

ASSET CLASSES USD % TOTAL RETURN, YTD 2020 AND WEEK



MAURICE GRAVIER
Chief Investment Officer
MauriceG@EmiratesNBD.com

ANITA GUPTA
Head of Equity Strategy
AnitaG@EmiratesNBD.com

GIORGIO BORELLI
Head of Asset Allocation
GiorgioB@EmitatesNBD.com

SATYAJIT SINGH
Fixed Income Analyst
SatyajitSI@EmiratesNBD.com

Cross-asset considerations

The current pandemic, taking a heavy toll in terms of human lives and economic damage across the globe, has laid bare unpreparedness on the side of governments, facing for the first time a shock of such proportions to societies since the Spanish flu hit every continent about 100 years ago. Authorities in different countries have hesitated before implementing draconian measures aimed at stemming contagion, concerned by the unpalatable trade-off between mounting casualties and job losses due to lockdowns. Yet, the successful drastic social distancing actions taken by the city of St. Louis against the 1918 influenza pandemic, as against Philadelphia, only 900 miles away, where at the time a large parade was arranged and then deaths spiked, teach us a lesson that had already been learnt at a costly price during World War One.

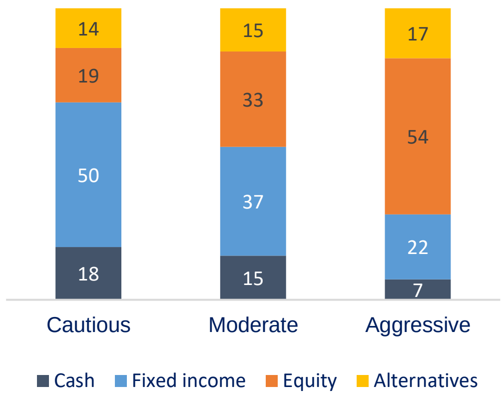
The tale of those two cities which adopted opposite approaches to the same problem suggests that quarantines and stops to economic activity are inevitable, as economically costly as they are, at least until a cure for the virus is found. And these costs are becoming obvious in the repeated cuts to growth rates made by economists, now projecting US unemployment to hit new records highs quite soon.

Hopes of a V-shaped recovery could be sparked by the prompt rebound of Chinese business confidence, again above 50 in the month of March, hence pointing to expansionary conditions. Yet, this could be more a symptom of the depths plumbed in the previous months, than of substantial gains in absolute levels of activity. Also, in spite of most employees being back to work, consumption patterns in China still seem to be leaning towards essentials, with purchases of discretionary items all but languishing. Should this persist and become a template for other economies, a vicious feedback loop seen in previous recessions of lower demand begetting further retrenchment and layoffs would set in.

Massive public interventions in support of the economy will avoid though that the current crisis morphs into a depression. It must be of comfort that a fourth round of Quantitative Easing is being undertaken by the Federal Reserve and that QE1, QE2 and QE3 all managed to curb market volatility and reverse the negative momentum in equities. The Fed has adjusted the dose of the medicine to the gravity of the illness, being the daily purchases of QE4 tens of times the size of QE3's. Also, tax relief reaching the pockets of the unemployed or incentivising companies to refrain from lay-offs should be able to cushion the blow to a considerable extent.

Against this backdrop we think it is still possible to take risk with the prospect of achieving appealing risk-adjusted returns, provided that in these early stages of the crisis investors are careful to navigate only those markets backstopped by the Fed. In particular, US IG corporate bonds represent quite an opportunity. They currently offer a yield of almost 3.5%, as per the Bloomberg-Barclays US Aggregate Corporate Index, which must be increased by the capital gains to be achieved as spreads tighten with more Fed liquidity injections, for an expected total return at least in the high single digits.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING

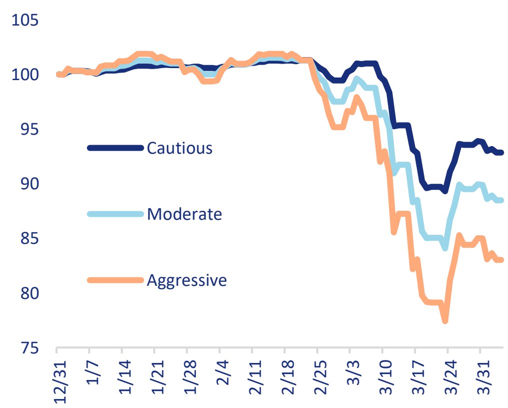


TAA – RELATIVE POSITIONING – MODERATE PROFILE

	UW	N	OW
Cash			>>>>>
DM Gov.	<<<		
EM Debt			>>
DM Credit			>
DM H. Yield	<<<		
DM Equity	<<<		
EM Equity			>
Gold			>
Real Estate	<		
Hedge Funds		=	

UW/N/OW: Underweight/Neutral/Overweight

TAA – YTD INDICATIVE PERFORMANCE



Source: Bloomberg. CIO Office calculation based on TAA applied to market indices, net total return in USD.

Emirates NBD
PRIVATE BANKING

Fixed Income Update

Last week provided a much welcome relief from the wild volatility swings in the credit markets. The benchmark bond index returns were more subdued with all the indices returning less than 1% weekly absolute returns except for US High Yield, which saw a negative 1.4% return driven by spreads widening. Surprisingly European HY bagged the top spot in weekly gains due to less Energy beta of its constituents.

Benchmark rates, however, behaved differently, and were less volatile across regions than in March. Central bank actions have helped stabilize govt bond markets, and rates have been more range-bound. The Fed's unlimited QE will ultimately decrease volatility and improve liquidity in the rates market. The ECB increased its bond purchases through the Public Sector Purchase Program (PSPP) and Pandemic Emergency Purchase Program (PEPP) to EUR 35 Bn last week.

There is a deluge of US Treasuries coming to support the Fiscal Stimulus announced last week. According to estimates, the total US Treasury issuance would reach USD 3 trillion in the next nine months. However, this is not expected to raise the US Treasury yields meaningfully due to FED's unlimited commitment to provide liquidity and a large tranche of this supposed to be absorbed by Money Market Funds as well. 90-day commercial paper transactions continue to remain subdued despite FED's CPFF indicating credit stress in the markets. Three-month USD Libor rates continue to remain elevated with LIBOR-OIS spreads at GFC levels.

US Investment Grade primary issuance notched another weekly record with forty-nine issuers pricing USD 117 Bn value of bonds last week. This unparalleled surge in issuance is a combination of the Fed's backstop and the disjoint commercial paper market meeting pent-up demand. Putting the numbers into context the last 2.5 weeks saw USD 290bn of US IG issuance as compared to USD 260bn in the previous 2.5 months. That said, the larger sizes ensured that most of the deals were priced at a premium as compared to the outstanding securities in the secondary market, benefiting the investors.

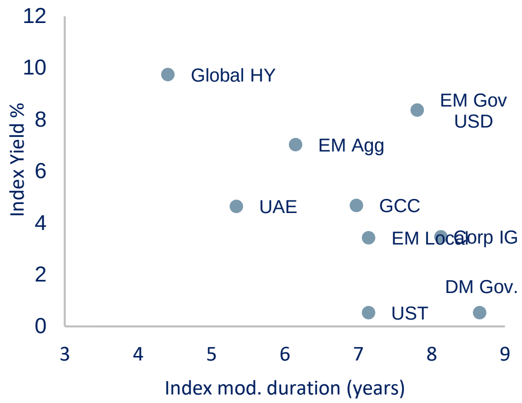
GCC Bond index spreads remain elevated due to unresolved oil price issues. IG Sovereigns in the sector are trading stronger compared to the HY sovereigns. We still see value in the large A-rated D-SIB banks in the region and Sovereign related utilities. There might be some extension risks in the AT1 perpetuals issued with coupons resetting to lower levels and the bonds not being called this year due to a lack of access to the primary market by the issuers of the region.

In terms of investment positioning, we prefer global banks in the Developed Markets, which are trading lower on sentiment while underlying fundamentals remain robust. In the Emerging Market, we are more selective and like investment-grade sovereigns/ sovereign related entities in Asia. We are highly cautious in the HY sector and would add exposure only to EM sovereigns and high-quality companies in their respective industries and regions.

FIXED INCOME KEY CONVICTIONS

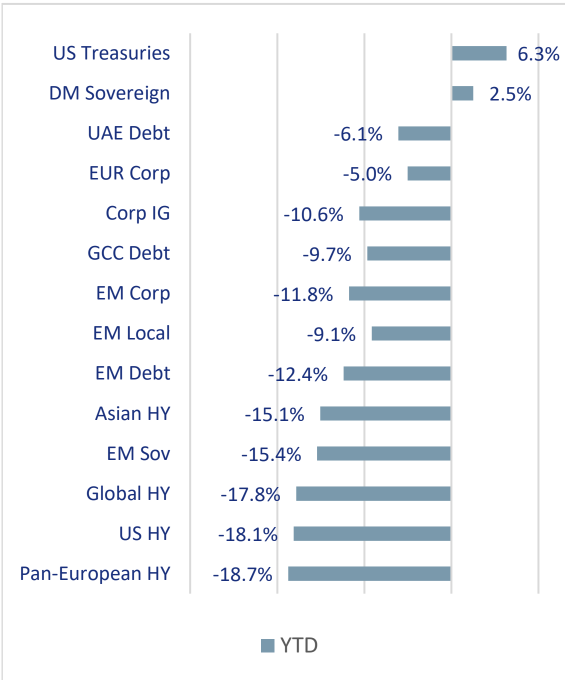
DEVELOPED MARKETS
OW US within Government
OW Corporate Credit
UW High Yield
EMERGING MARKETS
OW GCC
OW Local Currency
UW Latin America

FIXED INCOME VALUATIONS



Source: Bloomberg, indices modified duration and YTW

CHART: YTD FIXED INCOME SUB ASSET CLASS RETURNS



Source: Bloomberg

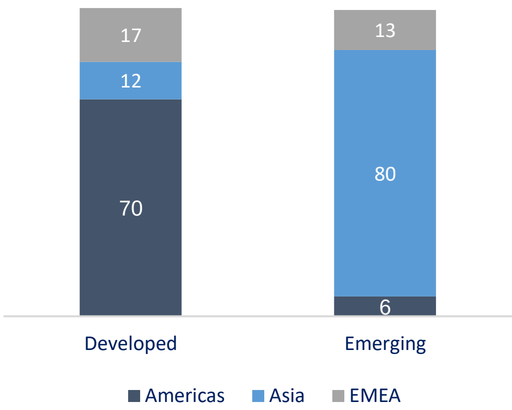
Equity Update

Q1 2020 saw global equities fall by c.20%, across DM and EM. The sell off has been unusual, because of the speed and the volatility. US stocks took just 16 days to tumble 20% from their record high, the swiftest fall on record into a bear market. The volatility gauge Vix soared to new highs in mid-March and remains at elevated levels, i.e. 46. Last week was lower, for most global equity indices and sectors, barring the KSA and Energy which rallied with WTI crude up 32% for the week and on hopes of a price war truce. Small and mid caps continue to underperform with the Russell 2000 –7.1%, last week. The smaller US domestic companies are the direct recipients of the shut down with less access to credit lines, which the large companies have been quick to draw on. The small business relief package saw Bank of America receive 60,000 applications c. $ 6 bn on day one. Continued lockdowns affect day-to-day functioning and the economic outlook. A record increase in jobless claims has added to downbeat investor sentiment.

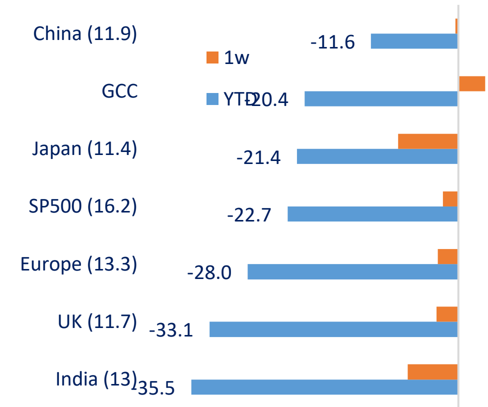
Selectivity remains key. We continue to prefer US multinational companies in healthcare, technology and consumer staples sectors (with strong balance sheets and cash reserves) as they will be able to navigate the looming global recession better. Asian economies are also an attractive medium to long term investment as they would recover the fastest, on account of the high middle income cohort which has growing consumption power. We are seeing unprecedented levels of monetary and fiscal intervention led by the US, and the most attractive valuation since 2011. Therefore, current levels in equity markets should prove to be good entry points with a medium term horizon. As it is impossible to gauge the bottom of the market, systematically adding would yield the best returns. However, valuations whilst low, compared to long-term averages, should not be taken at face value: they are governed by changes in earnings which are estimated to fall between 5 and 10% for DM, flat for EM in 2020, in line with GDP growth.

Technology and consumer staples remain in favour with Ecommerce, local/ regional digital payment services, gaming, streaming and delivery logistics, amongst the few winners in the current lockdown as are essential goods: healthcare and food. Online food retailers are unable to deliver due to the backlog. Domino Pizza and Uber in India are utilizing their logistics network for essential food delivery. Noon (the Emaar group ecommerce venture) has expanded its product line in the UAE. Nintendo's family friendly, Animal Crossing game launched last week had record sales and led to its switch console being sold out on Amazon in many countries. There are continued downgrades for the automakers, airline companies and banks. Analysts have cut forecasts for European and US banks as they don't expect buybacks and dividends to resume anytime soon. Utilities can no longer be depended on as a yielding sector with Centrica, the UK based British gas player, cancelling its 2019 dividends. The Emaar Group in the UAE announced plans to not pay 2019 dividends. In the US markets are pricing in a one third reduction in payouts vs a month ago.

EQUITY RECOMMENDED REGIONAL POSITIONING

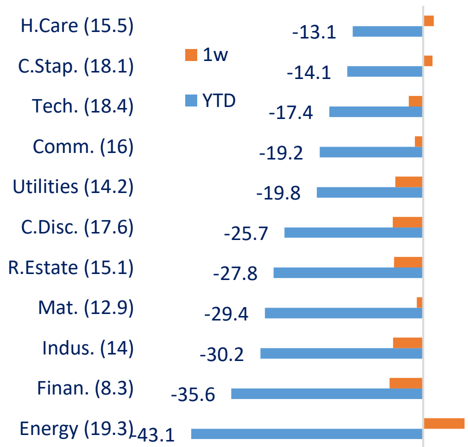


MAJOR INDICES PERFORMANCE (TR, US$) AND 2020PE



Source: Bloomberg consensus. MSCI Indices unless specified.

GLOBAL SECTOR PERFORMANCE (TR, US$) AND 2020PE



Source: Bloomberg consensus. MSCI All Country World sectors US$.

Emirates NBD
PRIVATE BANKING

DISCLAIMER

Reliance

Emirates NBD Bank PJSC ("Emirates NBD") uses reasonable efforts to obtain information from sources which it believes to be reliable, however, Emirates NBD makes no representation that the information or opinions contained in this publication are accurate, reliable or complete and should not be relied on as such or acted upon without further verification. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates NBD accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. Data/information provided herein are intended to serve for illustrative purposes and are not designed to initiate or conclude any transaction. In addition this 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 the determination of whether a particular investment activity is advisable. This 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 provided thereto by unaffiliated third parties. Moreover, the provision of certain data/information in this publication is subject to the terms and conditions of other agreements to which Emirates NBD is a party. Anyone proposing to rely on or use the information contained in this 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. Further, references to any financial instrument or investment product are not intended to imply that an actual trading market exists for such instrument or product. The information and opinions contained in Emirates NBD publications are provided for personal use and informational purposes only and are subject to change without notice. The material and information found in this publication are for general circulation only and have not been prepared with any regard to the objectives, financial situation and particular needs of any specific person, wherever situated

Confidentiality

This publication is provided to you upon request on a confidential basis for informational purposes only and is not intended for trading purposes or to be passed on or disclosed to any other person and/or to any jurisdiction that would render the distribution illegal. The investor may not offer any part of this publication for sale or distribute it over any medium including but not limited to over-the-air television or radio broadcast, a computer network or hyperlink framing on the internet without the prior written consent of Emirates NBD or construct a database of any kind.

Solicitation

None of the content in this publication constitutes a solicitation, offer, opinion, or recommendation by Emirates NBD to buy or sell any security, or to provide legal, tax, accounting, or investment advice or services regarding the profitability or suitability of any security or investment and further does not provide any fiduciary or financial advice.

Third party

The security or investment described in this publication may not be eligible for sale or subscription to certain categories of investors. This 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. It is the responsibility of any person in possession of this publication to investigate and observe all applicable laws and regulations of the relevant jurisdiction. This publication may not be conveyed to or used by a third party without the express consent of Emirates NBD. The investor may not use the data in this publication in any way to improve the quality of any data sold or contributed to by the investor to any third party.

Liability

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 this publication including, but not limited to, quotes and financial data; or (b) loss or damage arising from the use of this publication, including, but not limited to any investment decision occasioned thereby. 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 this publication, including but not limited to, loss of revenue, opportunity, or anticipated profits or lost business. This publication does not provide individually tailored investment advice and is prepared without regard to the individual financial circumstances and objectives of person who receive it. The appropriateness of an investment activity or strategy will depend on the person's individual circumstances and objectives and these activities may not be suitable for all persons. In addition, before entering into any transaction, the risks should be fully understood and a determination made as to whether a transaction is appropriate given the person's investment objectives, financial and operational resources, experiences and other relevant circumstances. The obligations relating to a particular transaction (and contractual relationship) including, without limitation, the nature and extent of their exposure to risk should be known as well as any regulatory requirements and restrictions applicable thereto.

Forward looking

Past performance is not necessarily a guide to future performance and should not be seen as an indication of future performance of any investment activity. The information contained in this 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. Certain matters in this publication about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute "forward-looking statements". Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "seek", "believe", "will", "may", "should", "would", "could" or other words of similar meaning. Undue reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Estimates of future performance are based on assumptions that may not be realized.

Emirates NBD
PRIVATE BANKING

DISCLAIMER

Risk

Data included in this 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.

The use of this publication is at the sole risk of the investor and this publication and anything contained herein, is provided "as is" and "as available." Emirates NBD makes no warranty of any kind, express or implied, as to this publication, including, but not limited to, merchantability, non-infringement, title, or fitness for a particular purpose or use.

Investment in financial instruments involves risks and returns may vary. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, prices and other factors and there is the possibility that you may lose the principle amount invested.. Before making an investment, investors should consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment.

In receiving this publication, the investor acknowledges it is fully aware that there are risks associated with investment activities. Moreover, the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in this publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with the investor.

Intellectual property

This 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 the investor 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, the investor may not copy or make any use of the content of this publication or any portion thereof. Except as specifically permitted in writing, the investor shall not use the intellectual property rights connected with this publication, or the names of any individual participant in, or contributor to, the content of this publication, or any variations or derivatives thereof, for any purpose.

This publication is intended solely for non-commercial 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. By accepting this publication, the investor agrees not to use, transfer, distribute, copy, reproduce, publish, display, modify, create, or dispose of any information contained in this publication in any manner that could compete with the business interests of Emirates NBD. Furthermore, the investor 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 the investor or, except as otherwise provided with Emirates NBD, prior written consent. The investor has no ownership rights in and to any of such items.

Emirates NBD is licensed and regulated by the UAE Central Bank.

United Kingdom

This publication was prepared by Emirates NBD Bank PJSC in the United Arab Emirates. It has been issued and approved for distribution to clients by the London branch of Emirates NBD Bank PJSC which is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the UK. Some investments and services are not available to clients of the London Branch. Any services provided by Emirates NBD Bank PJSC outside the UK will not be regulated by the FCA and you will not receive all the protections afforded to retail customers under the FCA regime, such as the Financial Ombudsman Service and the Financial Services Compensation Scheme. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.

Singapore

This publication was prepared by Emirates NBD Bank PJSC in the United Arab Emirates. It has been issued and approved for distribution to clients by the Singapore branch of Emirates NBD Bank PJSC which is licensed by the Monetary Authority of Singapore (MAS) and subject to applicable laws (including the Financial Advisers Act (FAA) and the Securities and Futures Act (SFA). Any services provided by Emirates NBD Bank PJSC outside Singapore will not be regulated by the MAS or subject to the provisions of the FAA and/or SFA, and you will not receive all the protections afforded to retail customers under the FAA and/or SFA. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.
Please contact your Relationship Manager for further details or for clarification of the contents, where appropriate.

For contact information, please visit **www.emiratesnbd.com**