

Daily Market Chatter

Macro Strategy View: Reduced Holiday Liquidity Moves Spotlight onto FOMC

- With much of continental Europe closed today for the May Labour Day holiday, Tuesday will likely be a fairly muted session across global markets. European holidays will add to what are already low activity levels in Asia, with China closed yesterday and today, and ahead of Golden Week public holidays in Japan on Thursday and Friday. Unsurprisingly, those Asian equity markets that remain open have been somewhat mixed overnight and with light volume, while the US dollar has been steady, largely holding onto its recent gains.



- After the RBA (Reserve Bank of Australia) left Aussie rates unchanged, as expected, at 1.50% this morning – Australian inflation is running below-target and consumer spending remains anchored by low wage inflation and high debt – near-term market focus will now turn to tomorrow's much anticipated FOMC meeting and Fed funds rate announcement. The Fed funds futures market is pricing in only a 35% probability of a Fed rate rise this month, but investors will closely dissect the Fed's words and rhetoric in the accompanying statement for any explicit comments that strengthen or weaken current consensus expectations of 3 more Fed rate hikes by the end of the year.
- Expect the Fed to sound upbeat on the U.S. economy, while retaining a degree of caution and aligning itself once again with a data-dependent, measured pace of monetary policy normalization. Such an outcome should prove positive for near-term risk sentiment, while helping the dollar to consolidate recent gains.
- Meanwhile, the oil price has seen some upward momentum over the past 24 hours after Israel accused Iran of a secret nuclear arms program. WTI has edged up to \$68.81/bbl as of 8am UAE time, while Brent is now flirting with \$75/bbl. While the Israeli comments may fan Middle Eastern tensions in the region, amid ongoing uncertainty over Syria, they have given a fillip to the energy sector in general – positive news for GCC oil producers – while precious metals prices have eased marginally lower.

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FX & Rates

- Disappointing figures out of Germany and Italy weighed on EUR yesterday and news over the weekend about the Italian politics managed to push EURUSD further to a low of 1.2064 after Italy's five star Luigi Di Maio called for new elections in June and invited the democratic party to discuss possible agreement on political programs.
- GBP: Cable is still trading near Friday lows following the undershoot in the GDP figures which is alarming. On the other hand, EURGBP is struggling to hold on to gains above 0.8800, but the desk favors being short GBP through JPY above 150.50 targeting 148.00 leading up to the meeting.
- AUD: the RBA left rates unchanged today as expected and added that growth has slowed over recent months. The central bank also acknowledged the latest AUD weakness, but they are happy with the recent range. As for the forecasts, the RBA left the references to the 2018-2019 targets unchanged, which also meant that the rate hike pricing remained unchanged at 20% until December this year.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	2.80%	-0.3	-2.4	+23.5	+95.7	+59.2
10Y	2.95%	-0.4	-2.2	+21.4	+63.5	+54.9
30Y	3.12%	-0.1	-2.1	+15.0	+12.1	+38.4

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	291.5	+0.5	-1.3	+22.5	+95.7	+67.1
10Y	298.7	-0.2	-1.7	+22.2	+70.3	+58.9
30Y	299.7	-1.7	-2.8	+17.1	+43.4	+46.0

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.2078	-0.43%	-1.07%	-1.82%	+10.82%	+0.61%
GBP USD	1.3763	-0.13%	-1.27%	-2.00%	+6.81%	+1.85%
USD JPY	109.34	+0.27%	+0.58%	+3.26%	-2.24%	-2.97%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.0621	+0.48%	-1.12%	+2.26%	+14.29%	+6.95%
USD INR	66.6613	-0.35%	+0.84%	+2.60%	+3.91%	+4.37%
USD IDR	13,913.0	+0.16%	-0.44%	+1.16%	+4.38%	+2.64%

Source: Bloomberg

MENA & Asia Credit

- A quiet day in the GCC Credit space and looks this will continue today as well. Oman curve was well bid mainly 28s and the New Oman Telecom with a couple of accounts asking so guess we can still see some upside there. we were active in the Abu Dhabi space names like ADGB 27s, ADCB short end and the Mubadala curve
- Expect to see a couple of new issues in the coming days as we only got less than 10 working days before Ramadan and the summer holidays

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	62.5	-0.3	+0.4	+0.8	+21.6	+0.8
Kuwait 5Y	59.4	-0.7	-2.8	-2.8	+9.3	-4.5
Dubai 5Y	108.5	-1.4	+0.0	+5.4	-3.2	-13.9

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	88.5	+0.2	+1.1	+0.3	+13.3	-12.4
KSA 5Y	88.4	+0.5	+1.1	+3.5	-17.6	-3.3
Bahrain 5Y	297.7	+16.8	+17.1	+9.1	+28.2	+21.2

Source: Bloomberg

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	347.8	+1.2	+10.1	+4.5	+24.0	+19.1
Sovx CEEMEA	40.5	+0.1	-2.9	+5.8	-4.9	+7.9
Itrax Xover	270.6	-0.9	-4.5	-14.8	+10.3	+37.3

Source: Bloomberg

Continued...

Key data points – Global

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,163	-0.61%	-1.17%	+0.25%	+15.54%	-2.25%
S&P 500	2,648	-0.82%	-0.83%	+0.27%	+10.87%	-0.96%
Nasdaq Composite	7,066	-0.75%	-0.87%	+0.04%	+16.00%	+2.36%
Nikkei	22,468	+0.66%	+1.72%	+4.72%	+17.04%	-1.30%
Hang Seng	30,808	+2.67%	+1.83%	+2.38%	+25.16%	+2.97%
Shanghai	3,082	-1.15%	+0.46%	-2.73%	-2.30%	-6.80%
Mumbai Sensex	35,160	+1.29%	+2.06%	+6.65%	+17.52%	+3.24%
DAX	12,612	+0.25%	+0.32%	+4.26%	+1.40%	-2.37%
CAC 40	5,521	+0.68%	+1.51%	+6.84%	+4.81%	+3.91%
FTSE 100	7,509	+0.09%	+1.49%	+6.42%	+4.24%	-2.32%
DJ Stoxx 50	3,537	+0.50%	+0.67%	+5.21%	-0.65%	+0.93%
FTSE MIB Index	23,979	+0.22%	-0.01%	+7.00%	+16.35%	+9.73%
SMI Index	8,886	+0.49%	+0.90%	+1.66%	+0.84%	-5.28%
MENA						
Abu Dhabi – ADX	4,670	-0.34%	-0.51%	+1.88%	+2.44%	+6.16%
Dubai – DFM	3,066	+0.57%	+0.13%	-2.24%	-10.89%	-9.02%
Saudi Arabia	8,209	-0.20%	-1.52%	+5.23%	+17.21%	+13.60%
Qatar	9,112	-0.31%	-0.50%	+5.11%	-9.88%	+6.91%
Bahrain	1,258	-0.39%	-3.14%	-3.47%	-5.82%	-5.54%
Oman	4,729	-0.11%	-0.57%	-0.17%	-14.46%	-7.26%
Egypt	18,296	-0.05%	+2.22%	+3.98%	+47.15%	+21.82%
Turkey	104,283	-3.10%	-5.99%	-9.26%	+10.17%	-9.58%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	68.57	+0.69%	-0.10%	+5.59%	+40.40%	+13.49%
Brent Oil \$/bbl	74.69	+0.07%	-0.03%	+6.29%	+44.97%	+11.69%
Gold spot \$/oz	1,315.4	-0.65%	-0.71%	-1.93%	+4.68%	+0.97%
Silver spot \$/Troy oz	16.332	-1.08%	-1.75%	-1.58%	-3.11%	-3.58%
Aluminium 3MO \$	2,255.0	+1.44%	-1.74%	+12.50%	+17.97%	-0.57%
Nickel 3MO \$	13,650	-1.69%	-4.31%	+2.63%	+44.44%	+6.97%
Copper 3MO \$	6,807	+0.15%	-1.97%	+1.39%	+18.68%	-6.07%

Source: Bloomberg

FAB Global Markets

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