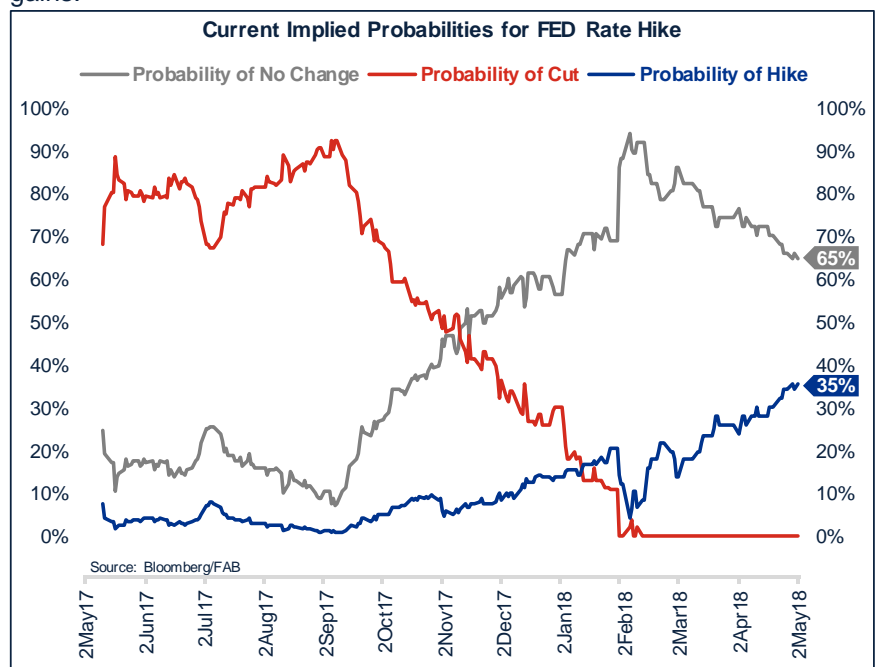


Daily Market Chatter

Macro Strategy View: Wednesday Offers a Window for Activity

- While global market volumes may pick up today after the European and China holidays Monday and Tuesday, clear market direction is still likely to be missing as investors await the outcome of the latest FOMC meeting, due at 10pm UAE time this evening. Moreover, Wednesday may provide just a brief window of broad trading opportunity, with Golden Week public holidays in Japan on Thursday and Friday, and the U.S. monthly payrolls report likely to create a further distraction on Friday.
- As we have suggested previously, although the Fed is not expect to move rates this evening – Fed funds futures currently price in just a 32.2% probability of a rate rise – the market will scrutinize and dissect the accompanying comments from the FOMC in search of explicit indications on the perceived commitment to three further interest rate increases by the end of this year. We look for 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 and balance sheet normalization; an outcome that should prove positive for near-term risk sentiment, while helping the dollar to hold onto its recent gains.



- For now the market is opening with a cautious bias to Wednesday's session, with Asian equities dipping into negative territory. The dollar has retreated modestly overnight – USDJPY trading down from 109.86 to an early low of 109.65 – before strengthening to back above 109.70. Against a backdrop of generally lower liquidity conditions, market sentiment remains susceptible to headline risk from geopolitics and/or corporate earnings, both of which remain elevated, conditions which we believe continue to highlight the inherent fundamental value in the relatively steep curves and attractive valuations of selective MENA sovereign risk assets. (Simon Ballard, Macro Strategist, Market Insights & Strategy)

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FX & Rates

- UK data stole the show yesterday as UK manufacturing PMI proved another weak data print. May MPC now down to 20% and UK press now talking about the UK economy falling off a cliff. GBP reacted accordingly, falling another 1.5%. Meanwhile, the US data was decent, with market focusing on stronger prices paid. CT10s now at 2.975%, market is short duration into supply; it's hard to argue against that. USD is strong like a bull and DXY at 92.35, EUR remains friendless at the moment, positioning is still long and yet to see a significant rebalancing from real money.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	2.81%	+1.5	-1.4	+26.6	+101.0	+60.7
10Y	2.97%	+1.1	-3.5	+23.5	+68.4	+56.0
30Y	3.13%	+0.5	-5.4	+16.6	+15.9	+38.9

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	292.6	+1.1	-0.9	+23.6	+100.0	+68.2
10Y	299.3	+0.6	-3.2	+22.9	+74.8	+59.5
30Y	301.6	+1.9	-1.5	+19.0	+48.6	+47.9

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1993	-0.70%	-1.96%	-2.51%	+9.73%	-0.10%
GBP USD	1.3614	-1.08%	-2.60%	-3.06%	+5.22%	+0.75%
USD JPY	109.86	+0.48%	+0.96%	+3.75%	-1.90%	-2.51%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.1041	+1.03%	+0.44%	+3.31%	+16.35%	+8.05%
USD INR	66.6613	+0.00%	-0.35%	+2.28%	+3.81%	+4.37%
USD IDR	13,913.0	+0.00%	+0.17%	+1.16%	+4.51%	+2.64%

Source: Bloomberg

Asia Credit

- Asian CDS market opened little change this morning with spreads between 0.5bp wider and 1.5 bps tighter. Cash bonds meanwhile are quoted flat to 1bp wider on average. Opening trades included Cnooc 28s at T+140, left 140-138 (+1bp). Elsewhere Chgrid 28s are quoted 130-128 (+1bp), Sinope 27s 128-125 (unchanged), Hram 27s 228-223 (unchanged), Haohua 28s 230-225 (unchanged). The rest of investment grade space is flat. Meanwhile, Philippines and Indonesia risk trading more or less flat also.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	349.2	+1.4	+12.4	+5.9	+28.8	+20.5
Sovx CEEMEA	41.7	+1.2	-40773.3	+6.9	-1.5	+9.1
Itrax Xover	273.9	+2.8	-0.9	-9.2	+13.6	+40.7

Source: Bloomberg

MENA Credit

- Buyers are returning to our space. Oman continues to garner a decent bid across the curve as does Bahrain in the 7Y+ range. KSA also appears to be a curve where there is some bid interest but nobody seems prepared to lift the offer side. Some Islamic names remain on buy lists and look expensive vs conventional or possible new issuance. We recommend selling Sukuk to buy conventional:
 - Example: Buy MAF May 24 (Conv) @ 102.125 Z+140 4.34% Vs Sell MAF 25 (Sukuk) @ 101.375 Z+132 4..28%. (Shorten 18mths, pick up 8bp in spread & 6bp in yield).
- Outside of GCC we like the Egypt EUR paper. Egypt is the darling of any EM portfolio the last 6 mths having tightened roughly 100bps since November. Swapping the EUR paper to USD gives you some serious pick up!
 - Example: EGYPT 26 EUR Swapped gives \$ ASW+475 Vs EGYPT 25 USD giving ASW+320 or EGYPT 27 USD giving ASW+372
 - So circa 125bps pick up. Would expect more and more regional a/c's to get Egypt limits in place given the closer ties between GCC members and Egypt.
- Other select recent New Issue Mkts:
 - OTELOM 23s 99.40-99.65 5x5
 - ADCB 4 23s 99-99.25 5x5
 - SIB 23s 99.50-99.70 5x5 (Sukuk)
 - SHARJ 28s 98.55-98.80 5x5 (Sukuk)
 - BHRAIN 25s 99.85-100.25 5x5 (Sukuk)
- Seems NAGA OILGAS will be issuing again. News dented the existing 2027 maturity. The issue widened over 30bps on the news or 1.5pt+ lower with little to no trading volume. 2027 paper is yielding almost 8% now with a UST spread in excess of 5%.

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	63.3	+0.8	+2.2	+0.7	+22.6	+1.6
Kuwait 5Y	59.7	+0.2	-2.1	-2.1	+9.7	-4.2
Dubai 5Y	109.0	+0.5	+3.1	+5.4	+1.7	-13.4

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	89.3	+0.8	+2.9	+1.7	+30.7	-11.7
KSA 5Y	89.3	+0.8	+2.9	+3.4	+1.0	-2.4
Bahrain 5Y	289.1	-8.6	+9.4	+0.2	+74.9	+12.6

Source: Bloomberg

Continued...

Overnight market headlines

Global News

- US manufacturing activity continues to decline in April as tariff concerns grow; construction spending stumbles in March.
- Fed likely to keep rates steady while investors bet on June hike; CNBC survey shows expectation for higher rates, faster inflation this year.
- May's Brussels gains eclipsed by domestic challenge as Labour threatens to back Tory rebels for Brexit deal vote.
- China weakens its currency before US trade talks begin; Trump trade chief wants to open China, not change its economic system.
- US extends tariff exemptions for European Union and other allies; White House says expects to complete tariff talks during 30-day exemption period.
- Dollar trades near four-month high, while 2-year yield hits highest level since Sept. 2008 as Fed meeting begins; Asian stocks decline; Oil holds losses.

Middle East & Africa News

- Islamic Development Bank considers debut euro-denominated sukuk.
- Bahrain's Nogaholding hires banks for dollar bond.
- Saudi interbank rate at 2.386% hits nine year high.
- Saudi contractors are said to still struggle with payment delays.
- Saudi's Al Rajhi Bank Q1 net profit up 7.3%.
- Saudi Arabia's Dar Al Arkan posts SAR 331m profit in Q1.
- Emaar Properties Q1 profit rises 8.5% on retail revenue jump.
- Mubadala to set up Abu Dhabi tech hub in 2019.
- Etihad Airways looks to sustainability regarding future growth.
- Dubai free zones may cut fees to become more competitive.
- Saudi stock index retreats hit by valuation woes, Drake & Scull hurts Dubai.
- S&PGR lowers Turkey's credit rating by one notch to BB-; Outlook stable.
- Ghana is said to start \$2.5bn Eurobond roadshow.

Please refer to our daily news summary if you wish to read the full articles

Continued...

Key data points – Global

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,099	-0.27%	+0.31%	+1.92%	+15.03%	-2.51%
S&P 500	2,655	+0.25%	+0.77%	+2.82%	+11.03%	-0.70%
Nasdaq Composite	7,131	+0.91%	+1.76%	+3.79%	+16.99%	+3.29%
Nikkei	22,508	+0.18%	+1.03%	+5.23%	+15.75%	-1.13%
Hang Seng	30,808	+1.74%	+0.56%	+2.38%	+25.16%	+2.97%
Shanghai	3,082	+0.23%	+0.35%	-2.73%	-2.30%	-6.80%
Mumbai Sensex	35,160	+0.55%	+1.57%	+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	7,520	+0.15%	+1.28%	+6.57%	+3.73%	-2.18%
DJ Stoxx 50	3,536	-0.01%	+0.72%	+5.20%	-1.17%	+0.92%
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	4,673	+0.08%	-0.34%	+2.00%	+2.65%	+6.25%
Dubai – DFM	3,031	-1.15%	-0.12%	-2.45%	-11.81%	-10.07%
Saudi Arabia	8,158	-0.62%	-1.89%	+4.81%	+16.33%	+12.89%
Qatar	9,014	-1.07%	-0.85%	+3.27%	-9.79%	+5.76%
Bahrain	1,258	-0.39%	-3.14%	-3.47%	-5.82%	-5.54%
Kuwait (Premier Market)	4,781	+0.06%	-0.25%	-2.32%	NA	-3.33%
Oman	4,731	+0.05%	-0.65%	-0.40%	-14.13%	-7.22%
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	67.25	-1.93%	-0.66%	+6.73%	+41.10%	+11.30%
Brent Oil \$/bbl	73.13	-2.71%	-0.99%	+8.12%	+44.93%	+9.36%
Gold spot \$/oz	1,303.9	-0.88%	-1.99%	-2.79%	+3.75%	+0.08%
Silver spot \$/Troy oz	16.167	-1.01%	-3.36%	-2.57%	-3.96%	-4.55%
Aluminium 3MO \$	2,260.0	+0.22%	+1.48%	+12.75%	+18.23%	-0.35%
Nickel 3MO \$	13,650	+0.00%	-2.40%	+2.63%	+44.44%	+6.97%
Copper 3MO \$	6,745	-0.91%	-3.82%	+0.46%	+17.60%	-6.93%

Source: Bloomberg

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