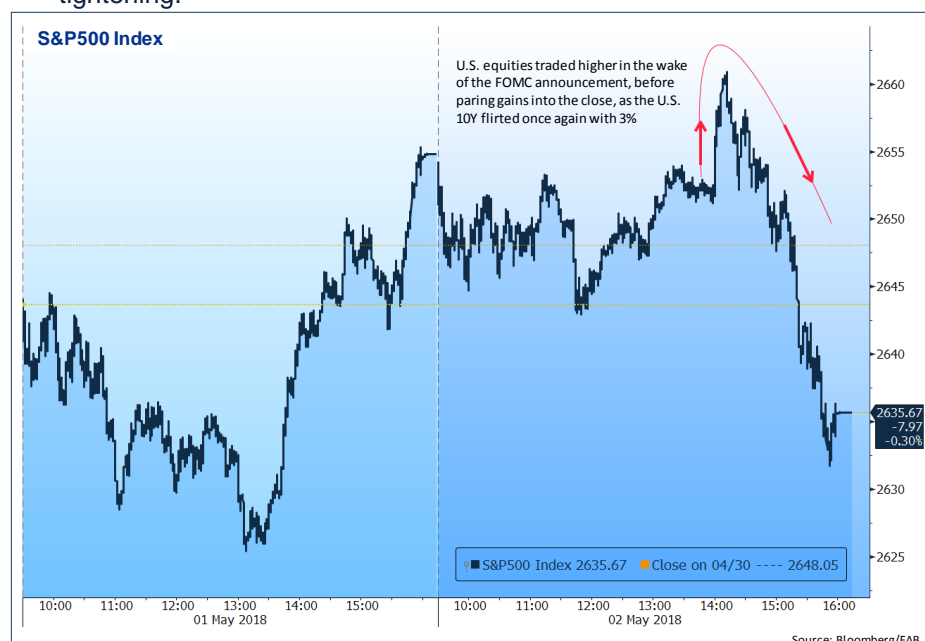


Market Insights & Strategy  
 Global Markets

## Daily Market Chatter

**Macro Strategy View: Dissecting the FOMC, as Inflation Seen Edging Toward Target**

- U.S. equity markets reacted positively initially to the FOMC announcement yesterday evening, but then faded the move higher as the full implications of the report were digested and as Treasuries sold off, pricing in expectations of continued Fed tightening. The 10Y U.S. yield is now knocking on the door of 3% again and its ability or otherwise to be able to sell off beyond this psychological level - at a time of expected seasonal liquidity decline – will likely be pivotal in determining risk market sentiment over the coming quarter.
- The FOMC suggested that it is becoming more confident that monetary conditions will result in inflation rising towards its target, stating that ‘inflation on a 12-month basis is expected to run near the Committee’s symmetric 2% objective over the medium term’. The Fed statement dropped previous references to the Committee closely monitoring inflation. This said, it also stated that it expects growth to continue at a moderate pace, that labour market conditions will remain ‘strong’ and that the risks to the macro outlook are now ‘roughly balanced’, all of which we would interpret as supporting a continued gradual path of FOMC policy tightening.



- The fact that equities pared their earlier gains into the close indicates that investors were perhaps hopeful that the FOMC would sound more optimistic on the macroeconomic outlook. Nonetheless, we would interpret the Fed’s tone and indicate adherence to a measured pace of interest rate and balance sheet normalization as generally constructive for risk assets in the near-term. Indeed, the Bloomberg Barclays U.S. corporate investment grade bond index closed the session unchanged at +110bps OAS, while the Bloomberg Barclays US high yield corporate index was also steady at 339bps OAS. That said, both indexes have retreated from their Q1 spread lows of 85bps and 311bps respectively amid simmering macro and geopolitical uncertainties and periods of heightened volatility.

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- Meanwhile Asian stocks have tracked their U.S. peers lower in early Thursday trading, suggesting a cautious tone to markets at the end of the Middle East trading week. Likewise the currency market has not been enamoured by the FOMC statement, with the dollar in steady decline since the announcement. The dollar (DXY index) had pushed solidly higher earlier in week from its 91.542 close last Friday to 92.834 in late trading yesterday, before retreating to 92.528 as of 8.25am UAE time this morning. (Simon Ballard, Macro Strategist, Market Insights & Strategy)

## FX & Rates

- Aussie boosted by upbeat domestic trade balance data/modest USD retracement. Traders look upon US data for some impetus ahead of RBA statement and NFP. The AUD/USD pair caught some fresh bids and is now headed back towards previous session's swing high.
- As was widely expected, the Fed left interest rates unchanged and acknowledged that inflation is moving closer to its target. The US Dollar bulls, however, seemed unimpressed as the accompanying statement provided little clues over a faster pace of rate hikes in response to a pickup in inflation. With investors looking past Wednesday's FOMC monetary policy update, renewed US-China trade tensions prompted some USD weakness. This coupled with upbeat Australian trade balance data, coming in to show a trade surplus of a \$1.53 billion, provided an additional boost and remained supportive of the pair's short-covering bounce.
- Moving ahead, the release of US ISM non-manufacturing PMI would now be looked upon for some fresh impetus later during the early NA session, while the RBA's monetary policy statement might influence the pair's movement during the Asian session on Friday. The key focus, however, would be on the keenly watched US monthly jobs report (NFP), which should help investors determine the pair's next leg of directional move.
- USDTRY printed a new all-time high at 4.2300 after the inflation data showed an increase in inflation which is an indication that the current monetary policy of the CBT is only partly successful in checking the growth of prices. The weakening of the Turkish lira and rising oil prices re-enforce the upward inflation trend for the time being. More TRY weakness is likely on the cards. The market will start looking at levels above 4.30.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	2.80%	-1.7	-4.1	+20.0	+94.4	+59.0
10Y	2.97%	+0.2	-6.0	+19.1	+64.8	+56.2
30Y	3.15%	+1.7	-6.2	+13.5	+17.8	+40.7

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	292.0	-0.6	-3.8	+18.9	+96.4	+67.6
10Y	299.8	+0.5	-5.9	+19.1	+72.9	+60.0
30Y	302.0	+0.4	-6.2	+17.2	+51.3	+48.3

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1951	-0.35%	-1.73%	-2.60%	+9.78%	-0.45%
GBP USD	1.3576	-0.28%	-2.56%	-3.42%	+5.51%	+0.47%
USD JPY	109.84	-0.02%	+0.37%	+3.03%	-2.58%	-2.53%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.1775	+1.79%	+2.35%	+4.74%	+18.17%	+9.99%
USD INR	66.6650	+0.01%	-0.13%	+2.54%	+3.92%	+4.37%
USD IDR	13,948.0	+0.25%	+0.19%	+1.34%	+4.81%	+2.90%

Source: Bloomberg

## Asia & MENA Credit

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	358.3	+9.1	+19.0	+12.5	+37.2	+29.6
Sovx CEEMEA	44.6	+2.9	+3.2	+9.6	+1.1	+11.9
Itrax Xover	271.1	-2.4	-7.9	-19.2	+12.4	+37.9

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	63.6	+0.4	+1.3	+0.8	+21.9	+2.0
Kuwait 5Y	64.2	+4.6	+2.4	+2.9	+14.2	+0.3
Dubai 5Y	113.7	+4.7	+5.0	+10.5	+7.1	-8.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	89.7	+0.4	+2.4	+3.6	+30.3	-11.2
KSA 5Y	89.7	+0.4	+2.4	+3.6	+1.9	-2.0
Bahrain 5Y	334.9	+36.8	+49.1	+47.2	+123.4	+58.4

Source: Bloomberg

Continued...

## Overnight market headlines

### Global News

- Fed leaves interest rates unchanged, says inflation near goal.
- ADP says companies hired 204,000 more workers in April despite signs of tightening job market.
- Eurozone economic growth cools in first quarter as growth hits slowest pace in 18 months; manufacturing gauge drops to 13-month low.
- China says won't submit to US threats as trade talks begin.
- Stocks in Asia retreat after Fed; Dollar declines, while 10-year treasury yield ticked up, though still below 3% level; Oil trades below \$68.

### Middle East & Africa News

- Islamic Fitch affirms Kuwait at 'AA'; Outlook stable.
- Saudi debt office head says able to issue up to 100-year bonds, but not keen at moment; finance minister says Kingdom may sell another global sukuk in 2018.
- IMF raises Saudi Arabia's 2018 break-even oil price to \$88/barrel, sees higher B/E oil price for other GCC countries in 2018; says GCC cumulative deficit to fall to 2% of GDP in 2019 from 11% in 2016.
- Saudi finance minister expects 2018 GDP to expand over 2%; says on track to cut budget deficit to 7% of GDP.
- Saudi Arabia raises export prices for Asian buyers; oil minister says producers will adjust plans if needed.
- Dubai airport passenger traffic rebounds in March.
- Nakheel Q1 profit rises 5%, hands over fewer units.
- Blue-chips lead declines as most Gulf stocks close down.
- Saudi's CMA says 140 qualified foreign investors now in stock market.
- IMF says Lebanon needs to address fiscal deficit, restructure key sectors.

*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
<b>GLOBAL</b>						
Dow Jones Inds. Avg	23,925	-0.72%	-0.66%	-0.45%	+14.16%	-3.21%
S&P 500	2,636	-0.72%	-0.14%	+0.81%	+10.37%	-1.42%
Nasdaq Composite	7,101	-0.42%	+1.39%	+2.30%	+16.93%	+2.86%
Nikkei	22,473	+0.02%	+1.16%	+5.54%	+15.57%	-1.28%
Hang Seng	30,724	-0.27%	+1.30%	+1.80%	+24.41%	+2.69%
Shanghai	3,081	-0.03%	+0.31%	-1.77%	-1.73%	-6.83%
Mumbai Sensex	35,176	+0.05%	+1.96%	+5.41%	+17.67%	+3.29%
DAX	12,802	+1.51%	+2.00%	+6.66%	+2.19%	-0.89%
CAC 40	5,529	+0.16%	+1.56%	+7.32%	+4.31%	+4.08%
FTSE 100	7,543	+0.30%	+2.22%	+7.29%	+4.27%	-1.88%
DJ Stoxx 50	3,554	+0.50%	+1.95%	+6.18%	-0.91%	+1.42%
FTSE MIB Index	24,266	+1.19%	+0.96%	+7.80%	+16.89%	+11.04%
SMI Index	8,896	+0.11%	+1.13%	+3.07%	+0.05%	-5.18%
<b>MENA</b>						
Abu Dhabi – ADX	4,635	-0.82%	-0.77%	+1.09%	+1.17%	+5.38%
Dubai – DFM	3,003	-0.92%	-0.77%	-3.14%	-12.17%	-10.89%
Saudi Arabia	8,099	-0.73%	-1.63%	+3.83%	+16.23%	+12.07%
Qatar	8,953	-0.68%	-1.75%	+2.66%	-10.06%	+5.05%
Bahrain	1,261	+0.26%	-1.66%	-2.28%	-5.24%	-5.30%
Kuwait (Premier Market)	4,778	-0.06%	-0.92%	-1.19%	NA	-3.39%
Oman	4,731	-0.01%	-0.21%	-0.93%	-13.87%	-7.23%
Egypt	18,173	-0.67%	+0.51%	+3.89%	+44.19%	+21.00%
Turkey	104,726	+0.42%	-4.85%	-8.61%	+11.57%	-9.20%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	67.93	+1.01%	-0.18%	+6.96%	+42.05%	+12.43%
Brent Oil \$/bbl	73.36	+0.31%	-0.86%	+7.69%	+44.44%	+9.71%
Gold spot \$/oz	1,305.0	+0.09%	-1.37%	-2.08%	+5.39%	+0.17%
Silver spot \$/Troy oz	16.375	+1.29%	-1.11%	-0.26%	-0.60%	-3.32%
Aluminium 3MO \$	2,321.5	+2.72%	+3.41%	+15.81%	+20.32%	+2.36%
Nickel 3MO \$	13,980	+2.42%	-1.17%	+5.11%	+46.93%	+9.56%
Copper 3MO \$	6,820	+1.11%	-2.68%	+1.58%	+17.55%	-5.89%

Source: Bloomberg

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