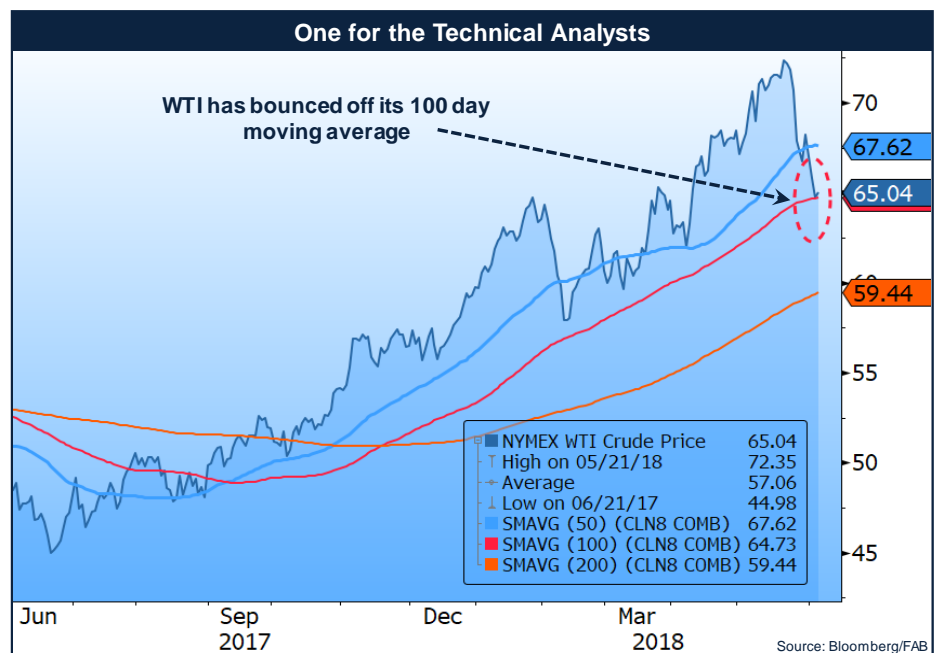


Market Insights & Strategy  
 Global Markets

## Daily Market Chatter

**Macro Strategy View: Rome Wasn't Built in a Day**

- There is a mixed picture across financial markets early this morning, but with firm undertones to risk once again. While Asian equities are trading either side of flat, the Asian and Australian iTraxx credit indexes are all trading lower as of 8am UAE time, amid better selling of protection. Risk-on is tentatively back in play, at least for now.
- The easing of concerns about an imminent Eurozone political showdown between Rome and Berlin – and the specter of Italy leaving the single currency and triggering global market chaos – has helped to buoy investor sentiment in the past couple of days. This said, we would caution against any complacency at this stage. German Chancellor Merkel and new Italian prime minister Giuseppe Conte are due to hold their first bilateral meeting at the G7 summit in Canada later this week and we are cognizant that the market will be highly susceptible to any headlines coming out of that meeting. Yes broad market nerves have been assuaged for now, but we continue to advocate a cautious bias. Bottom line: Italy has elected a highly controversial populist government, the potential medium-term ramifications of which should not be underestimated at this stage.



- Meanwhile, closer to home, the fundamental backdrop for GCC risk has received a fillip in the form of the recent uptick in the oil price, with WTI nudging back above \$65/bbl and importantly bouncing back off its 100 day moving average. At the same time, Brent is holding just above the \$75/bbl level, comfortably above its 50, 100 and 200 day moving averages. Liquidity and trading volume in MENA assets will likely remain muted for the next couple of weeks at least, until the end of Ramadan, but in the context of the U.S. 10Y holding inside 3% and yield curves flat with U.S. 2s/10s at a mere 42bps (a level last seen in 2007, before the Global Financial Crisis) we note the solidity to the underlying bid for fundamentally sound and attractively priced MENA risk.

(Simon Ballard, Macro Strategist, Market Insights & Strategy)

05 June 2018

Simon Ballard  
Macro Strategist

Rakesh Sahu  
Analyst

Chavan Bhogaita  
Head of Market Insights & Strategy

Please click [here](#) to view our recent publications on MENA and Global Markets

## FX & Rates

- Monday was a very quiet start to the week in the European rates space, with many investors seemingly still side-lined by the recent market volatility and political uncertainties. Much of the focus remains on Italian (BTP) and Spanish (BONOs) debt and especially on the rally in the Italian 10Y in the wake of the election agreement at the weekend, which has seen the yield fall from its 3.15% spike to around 2.60% currently. The market remains susceptible to political headline risk and so investors should keep a close eye on the 10Y BTP at current levels.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	2.79%	+4.6	+2.9	+1.0	+105.2	+58.8
10Y	2.94%	+4.0	+1.1	-0.7	+76.1	+53.8
30Y	3.09%	+3.4	-0.8	-3.7	+24.8	+34.5

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	292.7	+4.6	+5.4	+0.7	+110.7	+68.3
10Y	300.1	+4.1	+0.4	+1.1	+87.1	+60.3
30Y	299.6	+3.1	-2.9	-2.3	+59.7	+45.9

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1699	+0.34%	+0.64%	-1.87%	+3.95%	-2.55%
GBP USD	1.3313	-0.25%	+0.02%	-1.80%	+3.17%	-1.48%
USD JPY	109.82	+0.26%	+0.37%	+0.67%	-0.57%	-2.55%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.5911	-1.23%	+0.16%	+7.57%	+30.28%	+20.88%
USD INR	67.1125	+0.07%	-1.12%	-0.04%	+4.27%	+5.07%
USD IDR	13,872.0	-0.16%	-0.88%	-0.91%	+4.41%	+2.24%

Source: Bloomberg

## Asia Credit

- Another positive day for US stocks DOW +0.72%, S&P +0.45% & NASDAQ +0.69%. The 3% mark for 10-year Treasuries is back in sight as yields overnight jumped 4 basis points to 2.943% and now trading around 2.940%. China 10-year government bond yields are up to 3.667%. Brent hovering around the \$75 area and VIX is back to 12.74 after it almost hit 19 a couple of days ago
- Spreads in Asia today looking a tad better. We expect volumes to stay muted, but the tone overall keeps improving for now. As before we are still better buyers of short dated IG sovereign names like Hong Kong.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	378.0	-8.5	+12.7	+10.5	+50.4	+49.4
Sovx CEEMEA	62.9	-0.3	+4.0	+13.3	+19.9	+30.3
Itrax Xover	288.2	-5.4	-30.1	+13.9	+39.5	+55.0

Source: Bloomberg

## MENA Credit

- In the MENA space Jordan is still the main focus after 5 days of unrest which led to king Abdulla replacing the PM. So far, no violence among the protesters but still a delicate situation nonetheless. Jordan 27s was heavy most of the day trading as low as 93.25 (-2pts & wider by 30bps or so). We had a couple of buyers in the GCC Sov/IG space but all at bid side and looks like no one is willing to pay up for this market. Liquidity is still thin, and we expect that to continue till after the Eid holiday where we expect to get a couple of new issues
- On the news side a very interesting story on Kuwait from Bloomberg. Please check the FAB morning news for more details.

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	61.7	-0.3	-0.4	-2.9	+22.1	+0.0
Kuwait 5Y	64.6	-1.1	+0.1	-1.6	+14.6	+0.7
Dubai 5Y	116.5	-5.4	-0.4	+1.5	+9.8	-6.0

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	93.0	-1.2	+3.3	+2.1	+20.8	-8.0
KSA 5Y	88.3	-1.4	+0.8	-3.0	-4.0	-3.4
Bahrain 5Y	386.8	+11.8	+14.0	+25.4	+159.5	+110.3

Source: Bloomberg

## Overnight market headlines

### Global News

- US factory orders fall more than expected in April on weak aircraft, machinery demand
- Eurozone producer price inflation rate unexpectedly falls in April; investor confidence plummets in June on Italian turmoil
- Japan services growth slows in May; household spending shrinks again in April
- China services sector expands at steady clip in May but new orders wobble
- Treasury yields, dollar steady, while Asian stocks trade mixed; Oil halts drop near \$65 as volatility seen before OPEC's meeting

### Middle East & Africa News

- Kuwait urges its parliament to look beyond rise in oil prices; Finance minister says reserve fund is being depleted to finance deficit
- Oman to raise \$260m in development bonds
- Oman's Bank Sohar hires banks for \$250m syndicated loan
- Emirates Airline president says airline facing "double whammy" on fuel, dollar; says any Etihad merger plan is up to shareholders
- Saudi Aramco said to restructure its non-oil assets ahead of IPO
- PE firm Abraaj says creditors are close to agreement on debt standstill
- Major Gulf markets close higher on Monday
- Egypt's central bank says net foreign reserves rise to \$44.14bn at end-May
- Jordan's king replaces PM to defuse protests; asks Omar al-Razzaz, a former World Bank economist, to form a new government

*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	24,814	+0.72%	+0.24%	+2.27%	+17.13%	+0.38%
S&P 500	2,747	+0.45%	+0.94%	+3.13%	+12.76%	+2.74%
Nasdaq Composite	7,606	+0.69%	+2.32%	+5.50%	+20.82%	+10.18%
Nikkei	22,476	+1.37%	-0.02%	+0.01%	+11.43%	-1.27%
Hang Seng	30,998	+1.66%	+0.67%	+3.58%	+19.85%	+3.61%
Shanghai	3,091	+0.52%	-1.40%	+0.01%	-0.02%	-6.53%
Mumbai Sensex	35,012	-0.61%	-0.44%	+0.28%	+11.83%	+2.80%
DAX	12,771	+0.37%	-0.72%	-0.38%	-0.41%	-1.14%
CAC 40	5,473	+0.14%	-0.65%	-0.78%	+3.11%	+3.02%
FTSE 100	7,741	+0.51%	+0.14%	+2.30%	+2.86%	+0.70%
DJ Stoxx 50	3,470	+0.46%	-0.38%	-2.28%	-3.07%	-0.98%
FTSE MIB Index	22,010	-0.45%	+0.35%	-9.55%	+6.22%	+0.72%
SMI Index	8,634	+0.18%	-1.61%	-3.03%	-4.53%	-7.97%
<b>MENA</b>						
Abu Dhabi – ADX	4,577	+0.24%	+0.66%	+0.45%	+2.07%	+4.06%
Dubai – DFM	3,035	+1.59%	+3.57%	+2.94%	-8.53%	-9.95%
Saudi Arabia	8,335	+0.07%	+4.68%	+2.81%	+19.68%	+15.35%
Qatar	9,117	+2.09%	-0.09%	+3.54%	-0.93%	+6.97%
Bahrain	1,265	-0.03%	+0.39%	+0.14%	-4.65%	-4.99%
Kuwait	4,720	+0.22%	+0.61%	-1.49%	NA	-4.56%
Oman	4,585	-0.37%	-0.13%	-2.98%	-15.18%	-10.09%
Egypt	16,404	-1.63%	-2.30%	-8.01%	+21.33%	+9.22%
Turkey	99,250	+0.08%	-6.83%	-3.26%	+1.08%	-13.95%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	64.75	-1.61%	-4.61%	-7.13%	+36.60%	+7.17%
Brent Oil \$/bbl	75.29	-1.95%	-0.01%	+0.56%	+52.19%	+12.59%
Gold spot \$/oz	1,292.0	-0.11%	-0.54%	-1.69%	+0.95%	-0.83%
Silver spot \$/Troy oz	16.415	+0.02%	-0.36%	-0.36%	-6.44%	-3.08%
Aluminium 3MO \$	2,314.0	+0.39%	+2.25%	-1.53%	+19.83%	+2.03%
Nickel 3MO \$	15,485	+0.26%	+4.77%	+10.41%	+73.70%	+21.36%
Copper 3MO \$	6,975	+1.15%	+1.31%	+2.18%	+23.12%	-3.75%

Source: Bloomberg

## FAB Global Markets

### Contact details

#### G10 FX & Rates

**Simon Turner**

[Simon.Turner@bankfab.com](mailto:Simon.Turner@bankfab.com)

**Nourah Al Zahmi**

[Nourah.Alzahmi@bankfab.com](mailto:Nourah.Alzahmi@bankfab.com)

**Meera Al Marar**

[Meera.AIMarar@bankfab.com](mailto:Meera.AIMarar@bankfab.com)

#### EM FX & Rates

**Ali Debbagh**

[Ali.Debbagh@bankfab.com](mailto:Ali.Debbagh@bankfab.com)

**Ahmed ElAlami**

[Ahmed.ElAlami@bankfab.com](mailto:Ahmed.ElAlami@bankfab.com)

**Danay Sarypbekov**

[Danay.Sarypbekov@bankfab.com](mailto:Danay.Sarypbekov@bankfab.com)

**Pinrath Wongtrangan**

[Pinrath.Wongtrangan@bankfab.com](mailto:Pinrath.Wongtrangan@bankfab.com)

#### Market Insights & Strategy

**Chavan Bhogaita**

[Chavan.Bhogaita@bankfab.com](mailto:Chavan.Bhogaita@bankfab.com)

**Simon Ballard**

[Simon.Ballard@bankfab.com](mailto:Simon.Ballard@bankfab.com)

#### FAB Global Markets

**Tel: 00971 2611 0111**

**Reuters dealing codes: FABU / FABA**

Please click [here](#) to view our recent publications on MENA and Global Markets

**Disclaimer:** To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (the "Bank") and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an "as is" and "as available" basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.

#### MENA Credit Trading

**Matthew Locke**

[Matthew.Locke@bankfab.com](mailto:Matthew.Locke@bankfab.com)

**Sherif El Zeneiny**

[Sherif.Zeneiny@bankfab.com](mailto:Sherif.Zeneiny@bankfab.com)

#### Asia Credit Trading

**Shaun Lynn**

[ShaunRobert.Lynn@bankfab.com](mailto:ShaunRobert.Lynn@bankfab.com)

**Marcus Corrigan**

[Marucus.Corrigan@bankfab.com](mailto:Marucus.Corrigan@bankfab.com)

#### Non-Linear Products

**Marco Benassi**

[Marco.Benassi@bankfab.com](mailto:Marco.Benassi@bankfab.com)

**Mohamed Bouzoubaa**

[Mohamed.Bouzoubaa@bankfab.com](mailto:Mohamed.Bouzoubaa@bankfab.com)

**Naoufal Alami**

[Naoufal.Alami@bankfab.com](mailto:Naoufal.Alami@bankfab.com)