

Daily Market Chatter

Macro Strategy View: A Significant Boost to Abu Dhabi Fundamentals

- An announcement made late yesterday by His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, of a 50 billion dirham, 3 year economic stimulus package for Abu Dhabi, comes at a critical time in the global macroeconomic growth story. While questions are being asked about the sustainability of global growth, the program of investment should prove to be a significant fillip not only for Abu Dhabi itself, but also for the economy of the broader United Arab Emirates over the coming years. The program will aim to build on the strong macro-fundamental position of the Emirate and, in our opinion, should help to underpin foreign investor appeal in Abu Dhabi.
- The direct benefits of the program will be directed toward the non-oil sector of the Abu Dhabi economy. As part of the 50bn AED of stimulus for economic development, HH Sheikh Mohammed has also proposed 10 key measures to further liberalize and increase competitiveness across the emirate's business environment, including 'supporting new sectors, developing SMEs, stimulating tourism, developing local economy and creating jobs', according to His Highness' Twitter feed. Furthermore, he has given the Executive Council a timeline of only 90 days within which to draw up a detailed plan for how this stimulus will be allocated, hence there would appear to be substantial commitment toward the execution of this initiative.



- Together with the introduction of Value Added Tax in January this year and the sweeping changes to the UAE visa system proposed last month – including the introduction of 10 year visas for selective, key workers and investors – these latest policies should create a notable boost to sentiment toward the Abu Dhabi economy and help to underpin its longer-term credit profile among (foreign) investors. We would expect Abu Dhabi risk to trade better on the back of the headlines, with the 5Y CDS likely to edge down toward the 60 level.

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FX & Rates

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	2.77%	-2.5	+18.4	-1.5	+105.5	+56.3
10Y	2.93%	-1.5	+14.7	-2.2	+78.3	+52.3
30Y	3.08%	-0.1	+10.9	-3.8	+27.2	+34.4

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	290.9	-1.7	+20.3	-1.1	+111.3	+66.6
10Y	298.8	-1.3	+17.0	-0.1	+88.7	+59.0
30Y	297.8	-1.7	+7.8	-4.1	+61.0	+44.1

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1718	+0.16%	+1.54%	-1.71%	+3.91%	-2.39%
GBP USD	1.3393	+0.60%	+1.09%	-1.21%	+3.73%	-0.89%
USD JPY	109.79	-0.03%	+0.94%	+0.64%	+0.35%	-2.57%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.5993	+0.18%	+1.14%	+7.76%	+30.84%	+21.09%
USD INR	67.1500	+0.06%	-0.42%	+0.01%	+4.23%	+5.13%
USD IDR	13,879.0	+0.05%	-0.83%	-0.86%	+4.38%	+2.29%

Source: Bloomberg

Asia Credit

- Little happened overnight with European stocks slightly lower and US stocks flattish; Oil a tad higher and US 10Y yield still hovering around 2.93% area.
- Flows have been very slow in Asia today. Asian CDS 0.5-2.5 bps wider and cash bonds flattish to 2 bps wider. Malaysia has been a slow push wider with Malay CDS well bid and supply for bonds coming out for sovs/ corps and banks.
- Cash bonds for Petrol today are 2 bps wider. There seems to be some speculation and talk that there is potential for a downgrade which would bring its rating to Baa1. Watch out for the Beta here, going forward its likely to rise. Risk reward we would think 5 bps on the upside and 15 bps downside. We thus think that it probably makes sense to take some chips off the table.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	381.2	+3.1	-1.3	+13.7	+58.4	+52.5
Sovx CEEMEA	65.3	+2.3	+6.9	+12.9	+20.3	+32.6
Itrax Xover	294.1	+5.9	-8.0	+21.3	+45.1	+60.9

Source: Bloomberg

MENA Credit

- In our market Abu Dhabi will be the center of attention after Abu Dhabi's crown prince said on Tuesday he had approved AED 50bn (\$13.61bn) worth of measures to stimulate growth in the emirate and make it easier to do business, create jobs and boost tourism, should be positive for the equity market mainly the banks.
- As for the credit, ADGB curve have been very steady lately and the only action we saw was a buyer of ADGB 47s but looks like the buying interest gone out and not many accounts offering the name at the moment.
- We were busy in the KSA curve mainly the 27s trading a chunk and believe it's getting a bit expensive at these levels compared to the 28s & the 30s. Expect a couple of quiet days ahead and turnover to pick up by mid-month.

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	61.4	-0.3	-0.9	-3.5	+21.1	-0.3
Kuwait 5Y	64.7	+0.1	-5.4	-1.2	+14.7	+0.8
Dubai 5Y	116.7	+0.2	-1.0	+2.0	+9.3	-5.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	92.4	-0.5	-0.6	+1.6	+13.2	-8.5
KSA 5Y	87.8	-0.5	-2.0	-1.1	-4.5	-4.0
Bahrain 5Y	391.8	+4.9	+12.6	+36.5	+166.5	+115.2

Source: Bloomberg

Overnight market headlines

Global News

- US services sector activity picks up; job openings at record high
- Mexico retaliates with tariffs on US imports; US economic adviser says Trump may seek separate trade deals with Mexico, Canada
- US and China said to be trading offers on exports and ZTE; China said to offer to buy \$25bn more in US goods
- Italy's new premier Conte wins confidence vote in Senate, faces lower-house ballot; investors spooked as he pledges populist measures, public spending, tax cuts
- Treasuries steady, while dollar retreats against major peers and Asian stocks trade mixed as global rally pauses; Oil climbs as US stockpiles point to tightening supply picture

Middle East & Africa News

- Abu Dhabi crown prince approves \$13.6bn in economic stimulus
- Fitch affirms ratings of Emirates NBD following its acquisition of Denizbank; revises Denizbank's outlook to stable from positive
- Saudi Arabia's SABIC said to be in talks with banks for dollar bond
- Saudi Aramco names new head of finance after government reshuffle
- Dubai's Mashreq applies for Saudi banking licence
- Dana Gas says it received wide support from creditors for sukuk restructuring
- Saudi leads Gulf stocks higher on Tuesday amid MSCI optimism
- Egypt's parliament passes 2018-2019 budget

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Key data points – Global

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,800	-0.06%	+1.80%	+2.22%	+17.33%	+0.33%
S&P 500	2,749	+0.07%	+2.19%	+3.21%	+13.15%	+2.81%
Nasdaq Composite	7,638	+0.41%	+3.26%	+5.94%	+21.72%	+10.64%
Nikkei	22,540	+0.28%	+0.81%	+0.30%	+12.81%	-0.99%
Hang Seng	31,093	+0.31%	+2.00%	+3.90%	+19.60%	+3.92%
Shanghai	3,114	+0.74%	-0.20%	+0.75%	+0.39%	-5.83%
Mumbai Sensex	34,903	-0.31%	-0.13%	-0.03%	+11.90%	+2.49%
DAX	12,787	+0.13%	+0.95%	-0.25%	+0.76%	-1.01%
CAC 40	5,461	-0.22%	+0.42%	-1.00%	+3.64%	+2.79%
FTSE 100	7,687	-0.70%	+0.71%	+1.58%	+2.15%	-0.01%
DJ Stoxx 50	3,457	-0.37%	+0.84%	-2.64%	-2.74%	-1.35%
FTSE MIB Index	21,750	-1.18%	+1.87%	-10.62%	+4.77%	-0.47%
SMI Index	8,538	-1.11%	-1.14%	-4.11%	-4.15%	-8.99%
MENA						
Abu Dhabi – ADX	4,617	+0.86%	+0.90%	+1.23%	+3.50%	+4.96%
Dubai – DFM	3,045	+0.33%	+4.10%	+2.43%	-8.35%	-9.65%
Saudi Arabia	8,407	+0.86%	+5.09%	+3.61%	+21.25%	+16.34%
Qatar	9,311	+2.12%	+2.02%	+4.52%	+2.78%	+9.23%
Bahrain	1,268	+0.19%	+0.39%	-0.63%	-4.34%	-4.80%
Kuwait	4,725	+0.11%	+0.28%	-1.23%	NA	-4.46%
Oman	4,592	+0.16%	-0.13%	-2.68%	-15.15%	-9.94%
Egypt	16,022	-2.33%	-5.78%	-9.02%	+17.58%	+6.68%
Turkey	97,823	-1.44%	-6.94%	-4.66%	-0.52%	-15.18%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	65.52	+1.19%	-1.81%	-6.02%	+35.96%	+8.44%
Brent Oil \$/bbl	75.38	+0.12%	-0.01%	+0.68%	+50.40%	+12.73%
Gold spot \$/oz	1,296.4	+0.34%	-0.18%	-1.36%	+0.16%	-0.49%
Silver spot \$/Troy oz	16.484	+0.42%	+0.73%	+0.06%	-6.95%	-2.68%
Aluminium 3MO \$	2,312.0	-0.09%	+1.63%	-1.62%	+21.49%	+1.94%
Nickel 3MO \$	15,750	+1.71%	+5.67%	+12.30%	+76.77%	+23.43%
Copper 3MO \$	7,099	+1.78%	+3.48%	+4.00%	+26.14%	-2.04%

Source: Bloomberg

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