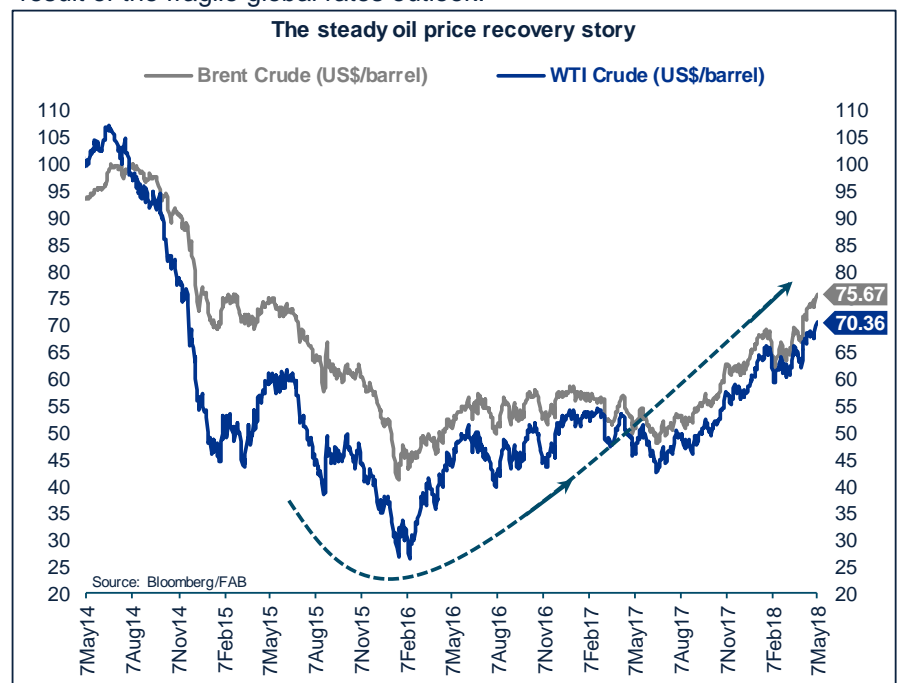


Market Insights & Strategy
 Global Markets

Daily Market Chatter

Macro Strategy View: Oil's Slick Move Back Above \$70

- Oil is center of attention again Monday morning as Nymex WTI Crude breaks through \$70/bbl for the first time since late 2014. Buoyed by the specter of U.S. sanctions being re-imposed on Iran, WTI is currently trading 16.48% higher year-to-date. Brent crude meanwhile has been trading above \$70/bbl since early April, in part due to OPEC and non-OPEC production cuts; at the current level of \$75.69 as of 8.30am UAE time, Brent is up 13.19% ytd. Oil price strength will clearly enhance the fundamental position of the GCC and MENA regions, which we would perceive as particularly poignant at the current time amid recent EM weakness and as we advocate a more discerning approach to risk as a result of the fragile global rates outlook.



- With U.K. markets closed today for the May bank holiday, generic volumes could be fairly muted in today's session. Nonetheless, the overarching tone to credit markets remains robust. Asian equities are showing a positive bias, albeit with indexes a little mixed thus far in early Monday trading, while the iTraxx non-Japan Asia investment grade CDS index is currently 0.96bps tighter at 75.42 mid according to Bloomberg. Moreover, with U.S. equity futures quoted in positive territory, sentiment appears set to maintain a robust undertone here.
- With the start of the holy month of Ramadan now just over a week away the window of opportunity for getting deals done in our region ahead of the summer may now be closing fast. As such we would not be surprised to see any issuers in the syndication process being expedited in the coming days in order to beat the implied seasonal deadline. One might also expect to see a brief pickup in secondary market activity over the coming week as investors adjust portfolio positioning ahead of the summer, either in terms of getting cash invested or selectively taking some profit. As broader market conditions highlight, there is still a decent depth of investor demand for fundamentally-robust risk at the right price, it's now just a question of delivering it on time.

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

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FX & Rates

- Friday's US data was a mixed bag; with the NFP missing the forecast, soft earnings, lower participation rate but with higher revisions on the previous NFP and a lower unemployment rate. The greenback lost grounds initially but quickly recovered and pushed EURUSD to a low of 1.1911, just 5 pips below this year's lows. Furthermore, Fed speaker Dudley was on the wires reinforcing the USD, saying that the overshooting the inflation was not a problem.
- Moving on to this week, the risk sentiment is likely to remain fragile as US/China talk's yielded no positive outcome so far and NAFTA talks are to resume today.
- On the central bank front, BOJ releases its minutes today and Super Thursday will carry BOE rate decision and the RBNZ on the same day.
- Data wise, the focus will turn towards the German factory orders today, US PPI's on Tuesday, industrial productions out of Europe and the UK and lastly but most importantly the US CPI and initial jobless claims.
- Today is a London holiday which means that the market is likely to stay quiet and reposition for the upcoming risks. Meanwhile, the desk recommends adding to the safe haven currencies such as JPY in case the political concerns intensifies this week with ongoing trade concerns and Iranian sanctions.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	2.78%	+0.3	-1.6	+19.8	+90.2	+57.8
10Y	2.95%	+0.4	-0.7	+17.6	+60.1	+54.5
30Y	3.12%	+0.1	-0.2	+10.4	+13.9	+38.3

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	291.4	+0.8	+0.4	+18.4	+90.5	+67.0
10Y	298.4	+0.5	-0.5	+17.8	+65.8	+58.6
30Y	300.8	-0.3	-0.6	+13.6	+42.9	+47.1

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1960	-0.23%	-1.40%	-2.93%	+9.48%	-0.37%
GBP USD	1.3531	-0.32%	-1.81%	-4.25%	+4.57%	+0.13%
USD JPY	109.12	-0.06%	+0.06%	+2.20%	-3.66%	-3.17%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.2309	+0.41%	+4.66%	+3.89%	+18.01%	+11.39%
USD INR	66.8700	+0.34%	+0.31%	+2.83%	+3.99%	+4.69%
USD IDR	13,945.0	+0.04%	+0.37%	+1.34%	+4.89%	+2.88%

Source: Bloomberg

Asia & MENA Credit

- Asian credit markets opened Monday with a constructive tone, following Friday's strong close in US equities. LATAM CDS is quoted 5-20 bps tighter, with Argentina leading the way. Last week, Argentine local rates soared from 23% to 40%, which prompted some major volatility across the EM space; this triggered some real money selling in EM, which then permeated through to our markets. Asia IG is currently better by 0.5-1.5 bps. IG cash tried to open tighter but we are now flat. Indonesia 2048s got to 91.125-91.625 but now are 90.375-90.875 +1/4 from Fridays close.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	367.5	-0.4	+21.0	+28.7	+43.7	+38.8
Sovx CEEMEA	48.1	+1.0	+7.7	+15.0	+0.6	+15.5
Itrax Xover	274.1	-1.3	+2.6	-11.3	+18.6	+40.9

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	65.1	+1.5	+2.3	+3.3	+23.0	+3.4
Kuwait 5Y	66.7	+2.8	+6.6	+5.1	+16.7	+2.8
Dubai 5Y	115.3	+3.0	+5.4	+13.2	+4.4	-7.2

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	91.6	+1.5	+3.3	+3.6	-25.1	-9.3
KSA 5Y	90.2	+0.2	+2.3	+3.2	-24.1	-1.5
Bahrain 5Y	357.6	+22.2	+76.7	+71.6	+103.2	+81.0

Source: Bloomberg

Continued...

Overnight market headlines

Global News

- US job growth picks up and unemployment rate falls to 3.9%, lowest since 2000; wage growth however tepid.
- China state media sees positives in trade talks with US; PBOC governor says trade imbalance with US a long-term problem.
- China steps up crackdown, imposes more fines on financial firms.
- Asia stocks trade mixed; Yen gains as dollar slips; WTI crude rises over \$70, first time since Nov'14, as market awaits Trump call on Iran sanctions.

Middle East & Africa News

- Saudi king orders whistleblower protections in anti-corruption push.
- Saudi sovereign fund plans entertainment centres across kingdom; Kingdom's transport ministry aims to build buses, operate toll roads.
- Bahrain's GFH Financial hires GIB to seek Saudi listing.
- Oman Oil is said to hire Lazard as firm weighs strategic options.
- Saudi petchems up on firmer oil, GFH shines in Bahrain.
- Rouhani warns US of 'historic regret' if Trump exits Iran deal; Macron says destabilising Iran over deal would unsettle region.
- Iran opposes higher oil prices.
- IMF says Egypt needs to empower private sector as population surge must be met with job growth; also says govt. must press ahead with cutting costly subsidies.
- As Lebanese vote in first general election in nine years, IMF regional chief calls for fiscal discipline.
- Blom Bank plans Mideast expansion bolstered by HSBC Lebanon unit.

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Continued...

Key data points – Global

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,263	+1.39%	-0.20%	+1.38%	+15.50%	-1.85%
S&P 500	2,663	+1.28%	-0.24%	+2.26%	+11.01%	-0.38%
Nasdaq Composite	7,210	+1.71%	+1.26%	+4.26%	+18.18%	+4.44%
Nikkei	22,473	-0.16%	+1.16%	+5.54%	+15.57%	-1.28%
Hang Seng	29,927	-1.28%	-1.17%	+0.27%	+22.27%	+0.02%
Shanghai	3,091	+0.32%	+0.29%	-1.28%	-0.39%	-6.54%
Mumbai Sensex	34,915	-0.53%	-0.16%	+3.83%	+16.93%	+2.52%
DAX	12,820	+1.02%	+2.55%	+4.72%	+0.81%	-0.76%
CAC 40	5,516	+0.26%	+1.15%	+4.90%	+1.54%	+3.83%
FTSE 100	7,567	+0.86%	+0.87%	+5.34%	+3.70%	-1.57%
DJ Stoxx 50	3,551	+0.61%	+0.90%	+4.18%	-2.96%	+1.33%
FTSE MIB Index	24,335	+1.12%	+1.23%	+6.13%	+13.27%	+11.36%
SMI Index	8,904	+0.70%	+0.78%	+2.68%	-1.25%	-5.10%
MENA						
Abu Dhabi – ADX	4,560	+0.08%	-2.67%	-2.73%	-0.22%	+3.68%
Dubai – DFM	2,972	+0.83%	-2.49%	-3.60%	-12.16%	-11.80%
Saudi Arabia	8,114	+0.08%	-1.35%	+2.02%	+18.33%	+12.28%
Qatar	8,908	+1.16%	-2.54%	+1.31%	-9.41%	+4.51%
Bahrain	1,276	+0.97%	+1.01%	-0.55%	-3.70%	-4.20%
Kuwait (Premier Market)	4,784	-0.16%	+0.20%	-0.20%	NA	-3.27%
Oman	4,718	-0.15%	-0.34%	-1.68%	-13.43%	-7.47%
Egypt	17,611	-1.24%	-4.10%	+1.15%	+38.75%	+17.26%
Turkey	102,599	-0.30%	-4.13%	-10.58%	+9.23%	-11.04%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	69.72	+1.89%	+2.38%	+12.34%	+50.84%	+15.39%
Brent Oil \$/bbl	74.87	+1.70%	+0.31%	+11.56%	+52.48%	+11.96%
Gold spot \$/oz	1,314.5	+0.19%	-0.72%	-1.64%	+7.20%	+0.90%
Silver spot \$/Troy oz	16.530	+0.60%	+0.12%	+0.21%	+1.84%	-2.40%
Aluminium 3MO \$	2,350.0	+3.57%	+5.71%	+18.03%	+22.84%	+3.62%
Nickel 3MO \$	14,025	+1.81%	+1.01%	+6.65%	+55.57%	+9.91%
Copper 3MO \$	6,826	-0.01%	+0.43%	+1.52%	+23.15%	-5.81%

Source: Bloomberg

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