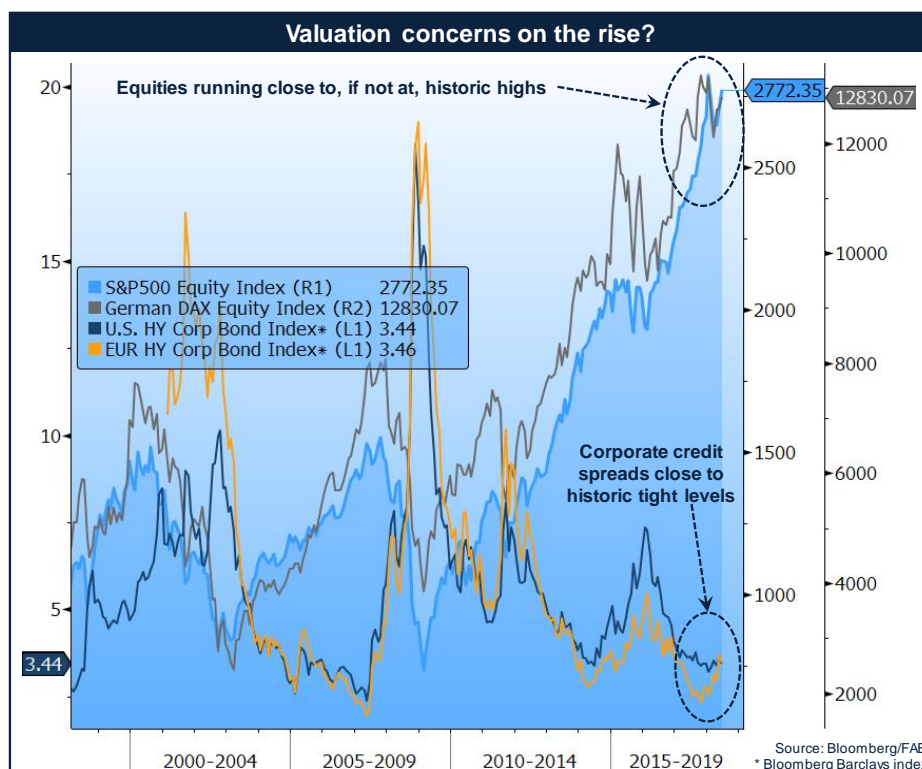


Market Insights & Strategy
Global Markets

Daily Market Chatter

Macro Strategy View: Watching the Undercurrents

➤ Financial markets may appear set to end the week with a risk-on tone, but while US and Asian equity markets have made gains overnight and high grade credit indexes are edging tighter in early trade this morning, there is nonetheless a growing undercurrent of concern about valuation levels. The global rates outlook and the prospect of gradual central bank quantitative tightening over the coming months is, rightly so, beginning fuel investor caution about the sustainability of equity market strength and tight corporate bond spreads.



➤ With the U.S. Federal Reserve having already set off down the route toward balance sheet and interest rate normalization, the ECB is expected to elucidate on its medium-term plans for scaling bank monetary policy accommodation at next week’s Governing Council meeting. While the Fed and ECB will cite improving underlying macro data as justification for tightening policy – and this carries positive implications for high grade credit metrics – the impact of higher rates will continue to be far less positive at the lower end of the credit quality spectrum. Argentina, Turkey and Brazil have been under the currency market spotlight of late in this regard.

➤ The U.S. 10Y yield may be holding below 3% for the time being, with 10Y Germany inside 0.50%, but the path of least resistance for rates over the coming quarters does seem to be higher and, as we have discussed previously, this will continue to create pressure on higher yielding, lower quality, emerging market risk. Indeed, a rising yield structure combined with a stronger U.S. dollar and the recent rise in oil prices will likely continue to create a three-pronged attack on emerging market fundamentals, with local currency debt most in the crosshairs. In our view, investment strategies focused on the lower echelons of the credit curve now need to be adopting an increasingly idiosyncratic approach to risk.

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07 June 2018

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Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	2.81%	+4.1	+12.8	+2.2	+107.1	+60.4
10Y	2.97%	+4.4	+11.7	+2.2	+79.9	+56.7
30Y	3.12%	+3.8	+9.6	-0.1	+28.6	+38.3

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	294.3	+3.4	+14.4	+2.3	+111.9	+69.9
10Y	302.9	+4.1	+13.3	+3.9	+89.6	+63.1
30Y	304.9	+7.1	+12.3	+3.0	+65.4	+51.2

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1774	+0.48%	+0.93%	-1.24%	+4.59%	-1.92%
GBP USD	1.3413	+0.15%	+0.96%	-1.06%	+3.50%	-0.74%
USD JPY	110.18	+0.36%	+1.17%	+1.00%	+0.33%	-2.23%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.5557	-0.95%	+2.03%	+6.74%	+28.33%	+19.94%
USD INR	66.9238	-0.34%	-0.70%	-0.32%	+4.03%	+4.78%
USD IDR	13,853.0	-0.19%	-0.98%	-1.04%	+4.12%	+2.10%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	379.2	-2.0	+0.6	+11.6	+55.0	+50.5
Sovx CEEMEA	65.7	+0.4	+7.5	+13.4	+19.1	+33.0
Itrax Xover	300.2	+6.2	-1.9	+27.4	+51.4	+67.0

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	61.4	-0.0	-1.0	-3.4	+16.1	-0.3
Kuwait 5Y	64.7	-0.1	-3.2	-1.2	+14.7	+0.8
Dubai 5Y	116.7	+0.0	-2.0	+1.5	+1.9	-5.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	92.5	+0.0	-1.1	+0.1	+3.3	-8.5
KSA 5Y	87.7	-0.1	-1.8	-1.6	-10.7	-4.0
Bahrain 5Y	404.2	+12.4	+22.0	+45.1	+170.6	+127.6

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	64.73	-1.21%	-5.10%	-8.48%	+41.58%	+7.13%
Brent Oil \$/bbl	75.36	-0.03%	-2.76%	-1.06%	+56.80%	+12.70%
Gold spot \$/oz	1,296.4	+0.00%	-0.38%	-1.36%	+0.72%	-0.49%
Silver spot \$/Troy oz	16.679	+1.18%	+1.05%	+1.24%	-5.26%	-1.53%
Aluminium 3MO \$	2,345.0	+1.43%	+3.30%	-0.21%	+23.36%	+3.40%
Nickel 3MO \$	15,635	-0.73%	+3.34%	+11.48%	+76.37%	+22.53%
Copper 3MO \$	7,220	+1.70%	+5.56%	+5.77%	+28.56%	-0.37%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,146	+1.40%	+1.94%	+3.24%	+18.76%	+1.73%
S&P 500	2,772	+0.86%	+1.77%	+3.73%	+13.94%	+3.69%
Nasdaq Composite	7,689	+0.67%	+3.04%	+5.84%	+22.10%	+11.38%
Nikkei	22,626	+0.38%	+2.76%	+0.71%	+13.22%	-0.61%
Hang Seng	31,259	+0.53%	+4.00%	+4.22%	+20.35%	+4.48%
Shanghai	3,115	+0.03%	+2.42%	-0.68%	-0.80%	-5.81%
Mumbai Sensex	35,179	+0.79%	+0.78%	-0.08%	+12.50%	+3.29%
DAX	12,830	+0.34%	+0.36%	-0.91%	+1.24%	-0.68%
CAC 40	5,458	-0.06%	+0.56%	-1.34%	+3.65%	+2.73%
FTSE 100	7,712	+0.33%	+0.30%	+1.92%	+3.13%	+0.32%
DJ Stoxx 50	3,461	+0.12%	+0.57%	-2.90%	-2.48%	-1.23%
FTSE MIB Index	21,808	+0.26%	+0.04%	-11.15%	+5.15%	-0.21%
SMI Index	8,545	+0.08%	-0.39%	-4.83%	-3.74%	-8.92%
MENA						
Abu Dhabi – ADX	4,652	+0.77%	+2.09%	+2.47%	+4.44%	+5.77%
Dubai – DFM	3,056	+0.36%	+5.03%	+3.14%	-10.28%	-9.33%
Saudi Arabia	8,383	-0.28%	+4.67%	+3.27%	+20.68%	+16.01%
Qatar	9,328	+0.19%	+4.62%	+3.83%	+4.05%	+9.44%
Bahrain	1,267	-0.06%	+0.49%	-0.91%	-4.07%	-4.86%
Kuwait (Premier Market)	4,759	+0.70%	+1.17%	-0.77%	NA	-3.79%
Oman	4,580	-0.26%	-0.36%	-2.79%	-14.82%	-10.18%
Egypt	15,909	-0.71%	-5.08%	-9.21%	+16.69%	+5.92%
Turkey	96,658	-1.19%	-6.94%	-4.17%	-0.98%	-16.19%

Source: Bloomberg

Overnight market headlines

Global News

- US trade deficit falls to a seven-month low; first-quarter productivity revised down to 0.4%
- ECB chief economist confirms June meeting is crucial for QE decision; Euro zone bond yields jump
- Bank of England in no hurry to wind down QE, says McCafferty
- India raises key rate for first time since 2014, retains 'neutral' stance; policy rate raised to 6.25%, the first rate change since a 25 basis point cut in August 2017
- 10-year US treasury yields approach 3% again with rise in eurozone bond yields; Stock rally extends in Asia; Oil halts loss near \$65

Middle East & Africa News

- UAE accelerates steps to boost growth
- Abu Dhabi sovereign wealth fund ADIA named as world's biggest real estate investor
- Fitch Ratings says UAE's reforms on sukuk offerings support sukuk market; implementation still key
- Kuwaiti creditor said to refuse Abraaj deal, may prompt provisional liquidation
- Zain KSA refinances its SAR 5.9bn existing Murabaha facility for 5 years
- Stimulus plan boosts Abu Dhabi, Saudi ends six-day surge
- Jordan to push IMF to slow reforms after protests, officials say

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