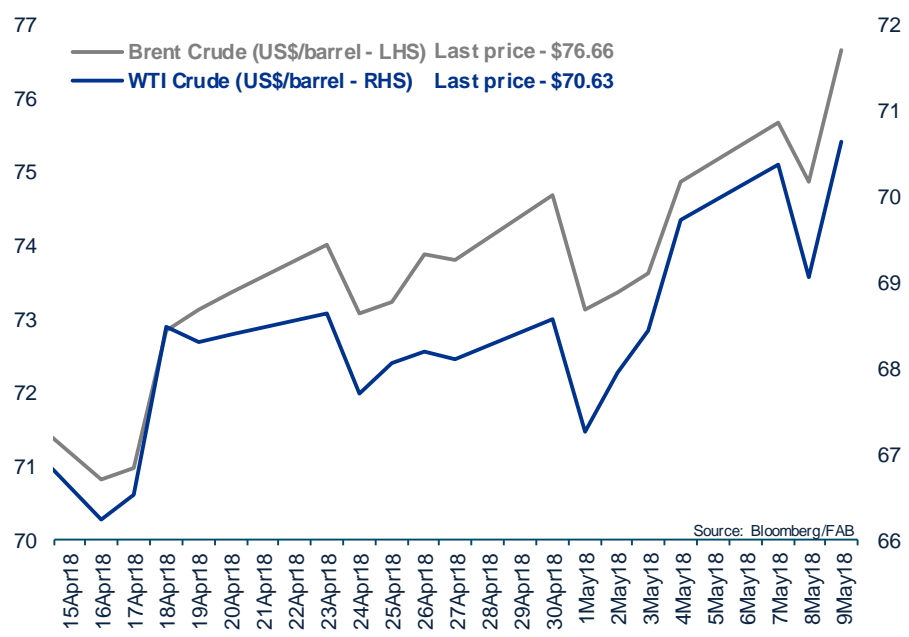


Daily Market Chatter

Macro Strategy View: Trumped Again

- While there has been a cautious bias in the market reaction to President Trump's announcement last night that he will pull the U.S. out of the Iran nuclear deal, the foundations of risk appetite remain firm. Nonetheless, looking ahead we would anticipate that the Iran decision will stoke the embers of geopolitical uncertainties, while the prospect of a stronger US dollar and higher bond yields (read debt service costs) could further weigh on near-term investor sentiment.
- Oil has seen the most significant impact from the Iran decision, with WTI and Brent rising 2.22% (to \$70.59/bbl) and 2.40% (\$76.65/bbl) respectively. Asian equities lost ground in the immediate wake of Trump's declaration, but have subsequently pared those losses; the Hang Seng and Nikkei 225 are currently straddling unchanged as of 8am UAE time. Meanwhile, in the rates market, U.S. treasuries have eased off a little in reaction to the statement, with the yield on the benchmark 10y touching an overnight high of 2.9948% according to Bloomberg. This has helped buoy the dollar; DXY dollar index currently around the 93.18 mark close to a level last seen in December last year.

Recent weakness in oil prices succinctly reversed by Trump pulling U.S. out of the Iran nuclear accord



- From a macro data perspective there is not much on the slate for today. The main focus will likely be on U.S. April PPI later, which will be perceived as another key data stepping stone on the FOMC's path toward monetary policy normalization. Tomorrow (Thursday) will have more in store, led by China April CPI and PPI data, followed by the latest Bank of England meeting (and press conference from Governor Carney as well as inflation report). And all of this will be followed by U.S. April CPI figures.

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FX & Rates

- The market has been crying for dollar strength last year and it finally got what it wished for. Indeed, the greenback proved its resilience, up more than 4% in the month of April alone. Not even Trump could stand in the way of the dollar Train; news were released that Trump will withdraw the Iran nuclear deal with sanctions not imposed immediately but in 180 days for oil and 90 days for metals. The market reaction entailed lower treasuries and 2s10s is now steeper by 2bps on the day. As for the dollar, it gained the most against commodity linked currencies such as AUD, NZD, NOK and CAD.
- EUR: Yesterday mixed German industrial productions and general dollar strength pushed EURUSD to yet another low before bouncing back briefly. The pair seems unable to recover and corrections at this stage seem shallow whilst the momentum remains strong. Furthermore, now that EURUSD has firmly broken below this year's lows, the net long positions will have to reassess and the weight of the positioning is likely to shift in the near-term. That said, I remain wary of chasing the move lower at these levels and focus instead on the market's reaction on the upcoming data, namely the French industrial productions and Italian retail sales.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	2.82%	+2.7	+0.2	+21.7	+89.1	+60.9
10Y	2.98%	+2.6	+1.2	+19.7	+57.8	+57.2
30Y	3.13%	+0.7	+0.1	+11.7	+10.2	+39.0

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	294.0	+2.0	+1.4	+21.0	+93.3	+69.6
10Y	301.4	+2.5	+2.1	+20.8	+68.6	+61.6
30Y	304.0	+2.1	+2.4	+16.8	+44.8	+50.3

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1864	-0.49%	-1.08%	-3.71%	+9.10%	-1.17%
GBP USD	1.3547	-0.07%	-0.49%	-4.13%	+4.74%	+0.25%
USD JPY	109.13	+0.04%	-0.66%	+2.21%	-4.26%	-3.16%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.3327	+1.51%	+5.57%	+6.39%	+19.56%	+14.07%
USD INR	67.0800	-0.09%	+0.62%	+3.16%	+3.80%	+5.02%
USD IDR	14,052.0	+0.77%	+1.00%	+2.11%	+5.69%	+3.67%

Source: Bloomberg

Asia Credit

- The market has taken the news of the U.S. pulling out of the Iran nuclear accord in its stride, with equities trading broadly flat. Elsewhere, near-term sentiment will also be driven by Malaysia's general election and Japanese PM Abe hosting South Korean President Moon Jae-in and Chinese Premier Li Keqiang. Yesterday in MENA credit we saw more buying interest return, especially at the front end of the curve. Meanwhile, some of the harder hit names from the global EM sell off last week also found a little more interest. We have some good switch interest at current levels. Here in Asia a few new issues are coming to the market today with ICBCIL FRN 05/15/21, ICBCIL FRN 05/15/23 and KORWAT 3.875 05/15/23. The market seems to be trading with spreads broadly flat, with investor interest in IG names. We still prefer shorter dates in the current markets but EM is still struggling to find friends here and with the election in Malaysia and headlines around Indonesia, we would expect to see sentiment in this space retain a conservative bias for now.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	378.5	+8.4	+29.3	+40.7	+54.7	+49.8
Sovx CEEMEA	52.4	+2.7	+10.7	+6.1	+3.8	+19.8
Itrax Xover	275.1	+1.6	+1.6	-5.5	+22.8	+41.9

Source: Bloomberg

MENA Credit

- A weak session in the EM space yesterday, resulted in a weak close to GCC credit, despite the latter's positive start. For most of the day the high beta credits of Oman and Bahrain remained well bid and we saw buyers of the new OTELOM 23s and 28s as well as the Oman 28s.
- Bahrain's strength was concentrated in the shorter end with the 18s tightening circa 50bps+. We now prefer (for those who see the move as overdone) the 2020 paper, which for less than a 1.5y extension you pick up 125+ bps over the 2018s with 6.25% YTM. This is now significantly wider than where their local 2Y debt was issued only a week or so ago. However, the problem that GCC credit is suffering from is contagion from the rest of EM; the spotlight seems to be firmly on the weaker more USD indebted credits. Latam is been led wider by Argentina where its CDS was out almost 50bps again, having been 80bps wider before the IMF story broke. Elsewhere Turkey has its own problems (CDS wider by 15bps) with growing hostility towards Erdogan ahead of snap elections and the possibility of US sanctions over an American Priests treatment. USD capital outflows are intensifying with tighter US monetary policy and the TRY is hitting new all time lows against the USD.
- Asian currencies this morning have broadly taken a beating, although Asian CDS cracks are appearing notably in Malaysia. Would expect our IG space to follow Asia wider this morning by 3-5bps.

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	64.9	+0.3	+1.6	+0.9	+22.6	+3.2
Kuwait 5Y	65.9	-0.3	+6.2	+2.8	+15.9	+2.0
Dubai 5Y	114.6	-0.4	+5.6	+7.2	+3.7	-7.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	90.8	-0.1	+1.6	+3.0	+28.5	-10.1
KSA 5Y	88.9	-2.5	-0.4	-1.2	-2.6	-2.8
Bahrain 5Y	355.3	-6.2	+57.1	+72.8	+136.3	+78.7

Source: Bloomberg

Commodities

- Oil Prices shoot higher directly after Trump's announcement, Brent is trading @ 76.50 (around 2 dollars higher) and WTI rebounded to 70s levels again trading @ 70.51.
- Yesterday, in its latest monthly report, the EIA raised its projection of the US crude production to 12mbpd by the end of 2019.
- API estimated that the Crude stocks in U.S were lower by 1.85M barrels last week.

Continued...

Overnight market headlines

Global News

- Donald Trump pulls US out of Iran nuclear deal; says will impose 'highest level' of penalties.
- European allies of US say they remain committed to the nuclear deal with Iran.
- Fed Chair Powell says rate hikes should not upend the global economy.
- China's Xi and Trump talked trade, Korea ahead of Chinese aide's visit.
- Oil climbs past \$70, 10-year Treasury yields approach 3%, and shares fall as Trump pulls out of Iran nuclear deal.

Middle East & Africa News

- Saudi Arabia says ready to 'mitigate' impact of Iran oil sanctions.
- S&PGR affirms Aldar Properties at 'BBB/A-2'; moves outlook to negative.
- Dubai's listed firms meet Wall Street investors in New York.
- Gulf markets slip on Iran worries, Egypt rebounds from drop.
- Egypt growth rate highest since 2008, says IMF official.
- Iran to discuss nuclear deal with other signatories after US exit.

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
GLOBAL						
Dow Jones Inds. Avg	24,360	+0.01%	+1.08%	+1.59%	+16.13%	-1.45%
S&P 500	2,672	-0.03%	+0.64%	+2.25%	+11.47%	-0.06%
Nasdaq Composite	7,267	+0.02%	+1.91%	+4.55%	+18.73%	+5.27%
Nikkei	22,509	+0.18%	+0.00%	+3.83%	+13.43%	-1.13%
Hang Seng	30,403	+1.36%	-1.32%	+0.57%	+22.15%	+1.62%
Shanghai	3,161	+0.79%	+2.61%	+0.74%	+2.63%	-4.40%
Mumbai Sensex	35,216	+0.02%	+0.16%	+4.23%	+17.65%	+3.40%
DAX	12,912	-0.28%	+2.38%	+5.30%	+1.28%	-0.04%
CAC 40	5,522	-0.17%	+0.03%	+4.91%	+2.30%	+3.94%
FTSE 100	7,566	-0.02%	+0.75%	+5.16%	+3.04%	-1.59%
DJ Stoxx 50	3,558	-0.18%	+0.61%	+4.19%	-2.50%	+1.54%
FTSE MIB Index	24,143	-1.64%	+0.68%	+4.72%	+12.36%	+10.48%
SMI Index	8,945	-0.38%	+0.66%	+2.97%	-1.85%	-4.66%
MENA						
Abu Dhabi – ADX	4,479	-1.33%	-4.15%	-3.98%	-2.29%	+1.84%
Dubai – DFM	2,949	-0.47%	-2.70%	-4.32%	-13.48%	-12.50%
Saudi Arabia	8,013	-1.29%	-1.78%	+0.47%	+15.81%	+10.88%
Qatar	8,870	-1.26%	-1.60%	-0.75%	-10.09%	+4.07%
Bahrain	1,273	-0.42%	+1.22%	-1.10%	-3.23%	-4.39%
Kuwait (Premier Market)	4,786	-0.20%	+0.09%	+0.05%	NA	-3.24%
Oman	4,691	-0.43%	-0.84%	-2.83%	-13.50%	-8.00%
Egypt	17,814	+1.66%	-2.63%	+2.32%	+37.74%	+18.61%
Turkey	99,364	-1.49%	-4.72%	-12.19%	+4.24%	-13.85%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	69.06	-2.36%	+2.69%	+8.89%	+50.52%	+14.30%
Brent Oil \$/bbl	74.85	-1.73%	+2.35%	+9.03%	+53.60%	+11.93%
Gold spot \$/oz	1,314.6	+0.03%	+0.83%	-1.63%	+7.65%	+0.91%
Silver spot \$/Troy oz	16.484	+0.06%	+1.97%	-0.06%	+1.80%	-2.68%
Aluminium 3MO \$	2,357.5	+0.32%	+4.55%	+15.45%	+25.47%	+3.95%
Nickel 3MO \$	13,885	-1.00%	+1.72%	+4.63%	+51.83%	+8.82%
Copper 3MO \$	6,745	-1.19%	-0.91%	-0.35%	+22.95%	-6.93%

Source: Bloomberg

FAB Global Markets

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