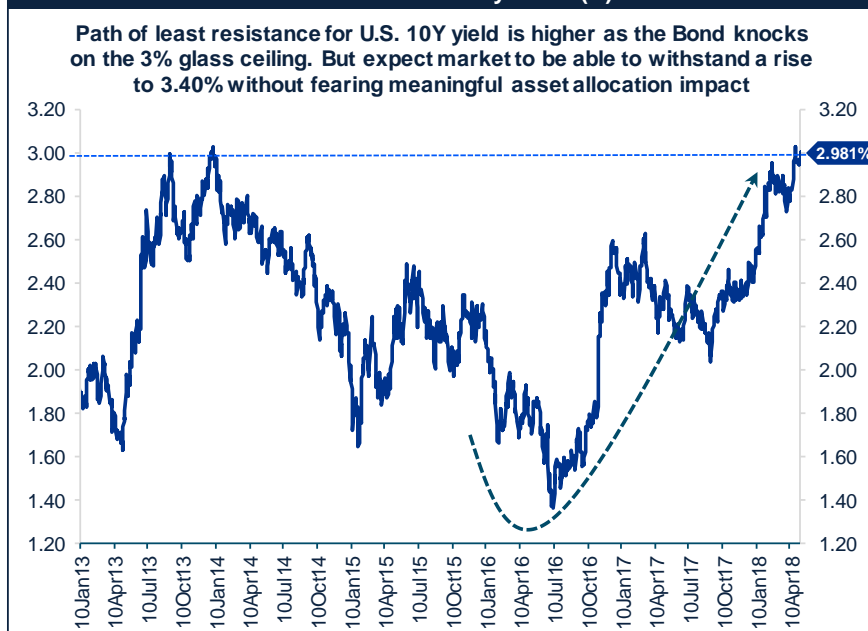


Market Insights & Strategy
 Global Markets

Daily Market Chatter

Macro Strategy View: Risk Appetite Unperturbed For Now

- Concerns and uncertainties may persist with regard to Iran, oil and the geopolitical landscape more broadly, but for now the markets are seemingly looking beyond those concerns. Oil has, understandably, pushed higher overnight as the market digests the likely implications of the Iran nuclear accord, but also after the U.S. Department of Energy yesterday announced an unexpected drop in oil inventories. On the back of all this, Asian equities are trading higher this morning and the iTraxx Asia ex-Japan credit index is tighter on the coattails of a firm close in U.S. stocks.
- Notwithstanding the uptick in risk appetite though, the underlying fragility of investor sentiment is clearly reflected in current government bond market price action, where the U.S. 10y is flirting with – but seemingly still anchored to – the psychological 3% level for the time being. Likewise, we note that the European government bond yield curve remains in negative territory out to the 5Y tenor, underpinned by the European Central Bank's continued need of an accommodative monetary policy stance and quantitative easing. The medium-term path of least resistance for the yields will be higher as the Fed tightens rates further, but we believe that the market should be able to withstand a 10Y U.S. yield of up to 3.40% over the coming 12 months, without triggering any meaningful asset allocation moves, so long as the move is predicated on improving macroeconomic fundamentals and not purely inflationary pressures.

10-Year US Treasury Yield (%)


- Back to today though and our macro focus early this morning was on China April CPI and PPI data, which came in broadly in line with consensus at +1.8% YoY and +3.4% YoY respectively. The spotlight will turn to the latest Bank of England meeting later. While the result of the meeting itself should be a non-event (no rate change), investors should pay close attention to Governor Carney's comments at the press conference as well as details of the inflation report). This will then be followed by U.S. April CPI figures and initial jobless claims at 4.30pm UAE time.

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

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FX & Rates

- It's the BOE QIR and monetary policy report today. 10% is priced for a hike, a rate move would be a big shock and given the dovish rhetoric and awful UK data, it would be another shock to MPC credibility if policy was adjusted. We expect a more hawkish stance, and go in long GBP with money markets steepeners. Across the pond CT10 failed again at 3%, does it offer value at level? While equities maintain bullish momentum I think yields continue to rise, 3.25% remains our year-end target.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	2.84%	+2.6	+4.5	+21.5	+90.2	+63.4
10Y	3.00%	-0.9	+2.8	+19.3	+58.0	+59.0
30Y	3.16%	+3.2	+1.6	+14.0	+12.1	+42.2

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1D	YTD
5Y	295.8	+1.9	+3.9	+20.6	+96.3	+71.5
10Y	303.5	+2.1	+3.7	+20.4	+71.1	+63.7
30Y	305.3	+1.4	+3.4	+18.4	+49.4	+51.6

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1851	-0.11%	-0.84%	-4.09%	+9.04%	-1.28%
GBP USD	1.3547	+0.00%	-0.21%	-4.44%	+4.71%	+0.25%
USD JPY	109.74	+0.56%	-0.09%	+2.37%	-3.97%	-2.62%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.2880	-1.03%	+2.65%	+4.27%	+19.55%	+12.90%
USD INR	67.2750	+0.29%	+0.95%	+3.51%	+4.10%	+5.33%
USD IDR	14,084.0	+0.59%	+0.98%	+2.35%	+5.48%	+3.90%

Source: Bloomberg

Asia Credit

- In Malaysia the people have spoken, with the first change in government in over 60yrs... All be it to be lead initially by the former PM but still what a move - it's not going to be an easy job with 4 parties making up the new Pakatan Harapan alliance, markets domestically closed for the rest of this week but let's see what volatility comes as we know markets don't like uncertainty. Overnight in the US stocks moved higher lead as expected by energy and bank names. Also we have seen North Korea's good-will gesture of releasing 3 U.S. citizens from prison. Down under the RBNZ held interest rates unchanged and left a possible cut as inflation remains subdued.
- S&P 500 Index up 1% to 2697 and the VIX lower to 13.4
- WTI crude was up 3.1% to \$71.4 a barrel, the highest in more than 3 years.
- 10-year Treasuries down 1 pt from our close to now be 2.99% and China 10-year at 3.71
- Yesterday was a mixed day for both MENA and Asian markets, some rebound in the ME names with interest around the shorter dates, but the NA names definitely under a lot of pressure and continue to get hit, in Asia we again seen steady state in benchmark IG names, but EM names again getting hit and there was also weakness in Malay names as the election unfolded. Looking for more of the same to start here today the solid benchmarks look to do OK even in this market but off the run names and anything related to EM and high yielding curves to stay under pressure. New issues in Asia today with BOCOM Float 05/17/23, BOCOM Float 05/17/21 and GZFINH 4 ¼ 05/16/21.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	376.1	-2.4	+17.8	+35.3	+51.7	+47.4
Sovx CEEMEA	52.3	-0.1	+7.7	+4.0	+3.9	+19.6
Itrax Xover	272.6	-2.5	+1.4	-12.0	+19.4	+39.4

Source: Bloomberg

MENA Credit

- Wednesday was another tough day for MENA high Beta names. Egypt spearheaded the softer tone, with spreads widening by 30-50bps depending on maturity. A similar weakness was felt in Bahrain & Oman bonds with buyers shying away, waiting for better entry levels. We are optimistic of seeing a rebound in spreads shortly, but it remains to be seen if the rebound will prove sustainable. Meanwhile there have been no new issues this week, and for a very good reason; no one wants to issue against the backdrop of a selloff in EM. Even if oil is trading at a 3Y high & still has more upside. All eyes now turn to next week and hopes of a pick-up in primary and secondary activity ahead of Ramadan.

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	64.8	-0.1	+1.2	+0.5	+23.3	+3.1
Kuwait 5Y	65.9	-0.0	+1.6	+2.7	+15.9	+2.0
Dubai 5Y	115.2	+0.5	+1.5	+8.2	+4.4	-7.3

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	92.3	+1.5	+2.6	+3.7	+30.8	-8.6
KSA 5Y	89.3	+0.4	-0.4	-0.9	-0.5	-2.4
Bahrain 5Y	359.1	+3.8	+24.1	+77.5	+138.4	+82.5

Source: Bloomberg

Continued...

Overnight market headlines

Global News

- US producer prices in April rise only 0.1% on weak hotel costs; March wholesale inventories revised lower.
- China April consumer inflation slows to 1.8% yoy, PPI up 3.4%.
- China credit spreads near 2-year highs on default worries.
- Mahathir seals victory in stunning Malaysia poll win.
- Russia urges Trump, Putin summit as the Russian premier warns of `fragile' world; EU fights to keep Iran nuclear deal alive after Trump's exit.
- Asia stocks rise, oil extends gains; dollar drifts.

Middle East & Africa News

- Saudi Arabia, Kuwait to work with major OPEC, non-OPEC producers to offset any oil supply shortage.
- Saudi Arabia's safety-net spending wipes out new tax gains; spending on wages, social benefits surge while capex declines.
- Bahrain central bank chief says kingdom has enough reserves to keep dollar peg; says authorities waiting for right time to tap bond market again.
- Dubai's Emirates Airline full year profit more than doubles to \$762m.
- Emirates chairman Sheikh Ahmed downplays Etihad Airways merger talk but says looking at closer ties.
- Saudi lender Samba says Q1 net profit rises 6%.
- Saudi stock market hits 3-week low as geopolitical tensions weigh.
- Iran rial plunges to new low after Trump decides to leave nuclear deal.
- Turkish president Erdogan pledges to curb inflation and halt lira slide.

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	24,543	+0.75%	+2.58%	+0.55%	+17.19%	-0.71%
S&P 500	2,698	+0.97%	+2.36%	+1.54%	+12.43%	+0.90%
Nasdaq Composite	7,340	+1.00%	+3.37%	+3.46%	+19.75%	+6.32%
Nikkei	22,409	-0.44%	-0.28%	+2.82%	+12.61%	-1.56%
Hang Seng	30,536	+0.44%	-0.61%	-0.63%	+22.07%	+2.06%
Shanghai	3,159	-0.07%	+2.85%	-0.98%	+3.48%	-4.48%
Mumbai Sensex	35,319	+0.29%	+0.41%	+4.25%	+16.77%	+3.71%
DAX	12,943	+0.24%	+1.10%	+4.40%	+1.45%	+0.20%
CAC 40	5,535	+0.23%	+0.10%	+4.28%	+2.48%	+4.18%
FTSE 100	7,663	+1.28%	+1.89%	+5.45%	+3.75%	-0.33%
DJ Stoxx 50	3,570	+0.33%	+0.45%	+3.81%	-2.08%	+1.88%
FTSE MIB Index	24,267	+0.51%	+0.00%	+4.72%	+12.59%	+11.04%
SMI Index	8,984	+0.44%	+0.99%	+2.61%	-1.16%	-4.24%
MENA						
Abu Dhabi – ADX	4,487	+0.16%	-1.54%	-4.78%	-2.08%	+2.01%
Dubai – DFM	2,890	-2.01%	-1.98%	-6.48%	-14.89%	-14.25%
Saudi Arabia	7,878	-1.68%	-2.72%	-0.92%	+13.68%	+9.02%
Qatar	8,824	-0.52%	-1.44%	-2.03%	-11.68%	+3.53%
Bahrain	1,271	-0.17%	+0.60%	-1.31%	-2.83%	-4.56%
Kuwait (Premier Market)	4,790	+0.08%	-0.05%	+0.01%	NA	-3.16%
Oman	4,676	-0.32%	-1.04%	-2.32%	-13.88%	-8.29%
Egypt	17,460	-1.99%	-3.92%	-1.34%	+34.38%	+16.25%
Turkey	100,781	+1.43%	-3.77%	-8.97%	+4.77%	-12.62%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	71.14	+3.01%	+4.73%	+8.59%	+50.31%	+17.74%
Brent Oil \$/bbl	77.21	+3.15%	+5.25%	+8.69%	+53.74%	+15.46%
Gold spot \$/oz	1,312.7	-0.15%	+0.59%	-2.01%	+7.68%	+0.76%
Silver spot \$/Troy oz	16.493	+0.05%	+0.72%	-0.51%	+1.82%	-2.62%
Aluminium 3MO \$	2,366.0	+0.36%	+4.69%	+10.61%	+26.52%	+4.32%
Nickel 3MO \$	13,925	+0.29%	+2.01%	+3.65%	+51.11%	+9.13%
Copper 3MO \$	6,810	+0.96%	+0.96%	-0.29%	+23.55%	-6.03%

Source: Bloomberg

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