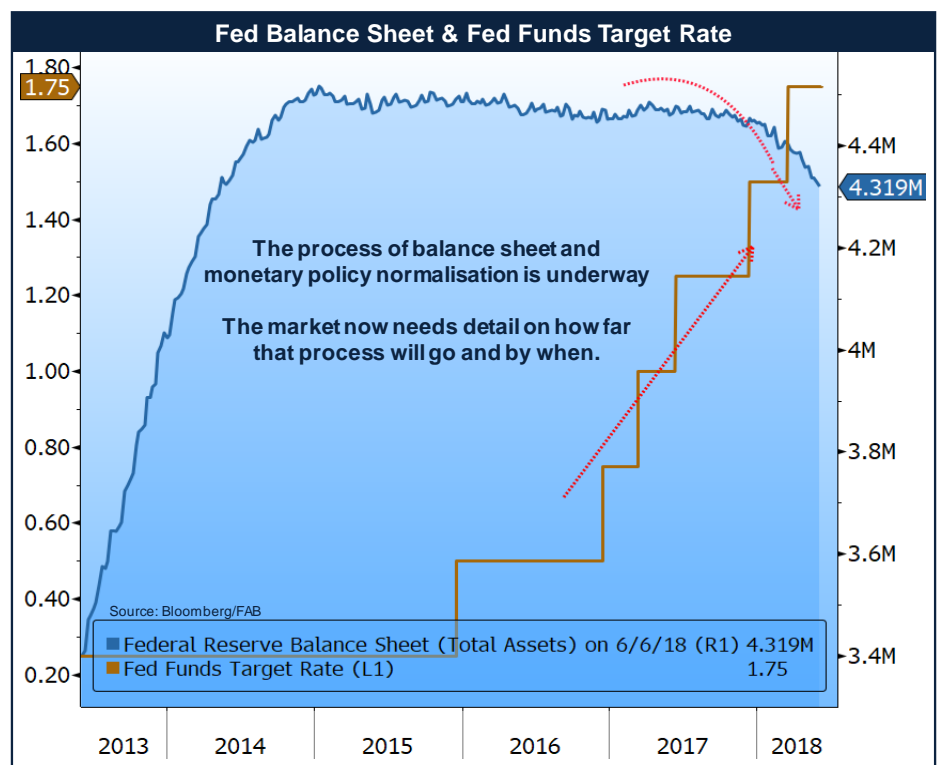


Daily Market Chatter

Macro Strategy View: Stand and Deliver

- Anything other than a 25bp rate increase at the conclusion of the latest FOMC meeting this evening would be a shock to the market; the rate rise is fully priced in. Assuming the Fed delivers, this will then leave investors to dissect the accompanying policy statement, and the broadly anticipated changes to its wording. Given the recent positive momentum behind the U.S. economy, there is at least the expectation that the Fed will drop the commitment to keeping the Fed funds rate below the long run neutral rate 'for some time', suggesting that monetary policy is now around levels that should be seen as normal.
- Market reaction will be susceptible to the Fed's updated economic forecasts and implications for future monetary tightening. Recent assumptions have been for one further rate hike this year and then one or two increases in 2019. Fed chair Powell will now need to tread a delicate line between sounding bullish on sustainable economic expansion, while not wanting to send risk asset sentiment into a tailspin with overly hawkish rhetoric.



- Equities and credit indices will be hopeful of a Goldilocks solution from the Fed. Risk appetite across MENA assets should be buoyed by a reiteration of the Fed's data dependency and measured pace of tightening. Conversely, sentiment may be spooked by any meaningful rise in the implied path of future rate rises. We will also be keeping a close eye on the shape of the U.S. 2s/10s curve. Currently worth around 42bps in yield spread, the curve has flattened dramatically from over 260bps back in December 2013 amid the near-insatiable hunt for yield, in turn exacerbating the rarefied yield environment. Paradoxically, any hawkish bias from the FOMC later could now punish the 2Y bond and actually (bear) flatten the curve further as front end yields rise, although over the medium-term the Fed will be hoping that the curve will re-steepen as long end rates edge higher with policy normalization.

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➤ Meanwhile the latter half of this week seems set to witness intensifying pressures on U.K. risk assets as Brexit tensions rise, particularly within Prime Minister May's ruling Conservative party. At risk from the warring factions is Mrs. May's position itself and this latest heightened political uncertainty is reflected in the negative price action across many U.K. market indicators. Sterling is currently poised bang in the middle of its 1Y range at \$1.3360, but seemingly biased toward near-term weakness. As discussed in yesterday's piece, we maintain that a \$1.25 target for cable may not be an unreasonable if Mrs. May fails to unite her troops and looks to be in trouble.

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

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	2.81%	+1.4	+4.1	-2.9	+102.7	+60.4
10Y	2.96%	+0.9	+3.3	-1.0	+75.0	+55.6
30Y	3.09%	+0.0	+1.0	-1.1	+22.9	+35.4

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	295.2	+1.2	+4.3	+0.7	+108.3	+70.9
10Y	302.4	+0.8	+3.6	-0.8	+83.8	+62.6
30Y	303.3	-0.6	+5.5	+0.4	+56.7	+49.6

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1745	-0.33%	+0.23%	-1.53%	+4.76%	-2.17%
GBP USD	1.3372	-0.05%	-0.16%	-1.36%	+4.85%	-1.04%
USD JPY	110.37	+0.31%	+0.53%	+0.65%	+0.27%	-2.06%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.5969	+1.63%	-0.05%	+5.26%	+30.63%	+21.03%
USD INR	67.4913	+0.09%	+0.85%	-0.04%	+4.90%	+5.67%
USD IDR	13,930.0	+0.56%	+0.37%	-0.87%	+4.75%	+2.67%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	393.2	+4.1	+12.1	+33.6	+67.9	+64.6
Sovx CEEMEA	69.7	+0.4	+4.4	+19.9	+22.1	+37.0
Itrax Xover	306.4	+6.9	+12.3	+36.0	+70.1	+73.2

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	62.3	-0.1	+0.9	-1.0	+13.7	+0.7
Kuwait 5Y	65.6	+0.2	+0.9	-1.4	+15.6	+1.7
Dubai 5Y	121.9	+2.8	+5.2	+7.6	-1.6	-0.5

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	95.3	+1.0	+2.9	+3.0	-0.8	-5.6
KSA 5Y	90.2	+1.1	+2.5	+0.5	-8.1	-1.5
Bahrain 5Y	436.7	+3.3	+44.9	+109.0	+207.3	+160.1

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	66.36	+0.39%	+1.28%	-6.14%	+42.83%	+9.83%
Brent Oil \$/bbl	75.88	-0.76%	+0.66%	-1.61%	+55.75%	+13.47%
Gold spot \$/oz	1,296.0	-0.35%	-0.03%	-1.33%	+2.32%	-0.52%
Silver spot \$/Troy oz	16.863	-0.37%	+2.30%	+2.05%	+0.02%	-0.44%
Aluminium 3MO \$	2,302.0	+0.04%	-0.43%	+0.61%	+21.86%	+1.50%
Nickel 3MO \$	15,210	-0.52%	-3.43%	+8.22%	+72.94%	+19.20%
Copper 3MO \$	7,222	-0.45%	+1.73%	+4.03%	+25.12%	-0.34%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,321	-0.01%	+2.10%	+1.97%	+18.72%	+2.43%
S&P 500	2,787	+0.17%	+1.38%	+2.17%	+14.20%	+4.24%
Nasdaq Composite	7,704	+0.57%	+0.86%	+4.06%	+23.85%	+11.59%
Nikkei	22,878	+0.33%	+1.50%	+0.53%	+14.97%	+0.50%
Hang Seng	31,103	+0.13%	+0.03%	-0.06%	+20.31%	+3.96%
Shanghai	3,080	+0.89%	-1.10%	-2.64%	-2.34%	-6.88%
Mumbai Sensex	35,693	+0.59%	+2.26%	+0.44%	+14.75%	+4.80%
DAX	12,842	-0.00%	+0.43%	-1.22%	+0.61%	-0.58%
CAC 40	5,453	-0.38%	-0.14%	-1.60%	+3.64%	+2.65%
FTSE 100	7,704	-0.43%	+0.22%	-0.27%	+2.71%	+0.21%
DJ Stoxx 50	3,476	-0.13%	+0.54%	-2.52%	-2.31%	-0.81%
FTSE MIB Index	22,120	+0.15%	+1.70%	-8.44%	+4.89%	+1.22%
SMI Index	8,641	+0.20%	+1.20%	-3.92%	-2.55%	-7.90%
MENA						
Abu Dhabi – ADX	4,734	+0.02%	+2.55%	+6.99%	+4.33%	+7.63%
Dubai – DFM	3,079	-0.59%	+1.12%	+6.46%	-10.54%	-8.64%
Saudi Arabia	8,270	+0.32%	-1.62%	+4.50%	+21.22%	+14.45%
Qatar	9,161	-0.46%	-1.61%	+3.90%	+0.72%	+7.48%
Bahrain	1,288	+0.53%	+1.59%	+1.32%	-2.98%	-3.29%
Kuwait (Premier Market)	4,781	+0.56%	+1.18%	-0.19%	NA	-3.33%
Oman	4,598	-0.10%	+0.13%	-1.89%	-13.47%	-9.83%
Egypt	15,938	+0.11%	-0.52%	-7.25%	+17.79%	+6.12%
Turkey	95,307	-1.40%	-2.57%	-6.43%	-4.02%	-17.36%

Source: Bloomberg

Overnight market headlines

Global News

- Fed meets for its rate decision while data shows inflation rising 0.2% in May mom, and 2.8% yoy
- German economic sentiment sinks to lowest level since 2012
- Trump, Kim sign denuclearisation agreement; Trump says he will halt Korea war games; North Korea frames historic summit a win
- Asia stocks mixed, dollar steady before Fed meeting; 10-year treasury yields rise to 2.967%; Oil falls near \$66 as industry data shows US stockpiles gain

Middle East & Africa News

- Moody's says Abu Dhabi's AED 50bn stimulus costs should be covered by higher energy prices
- UAE maintains positive economic growth, says Economy Minister Al Mansouri
- Dubai sovereign wealth fund ICD reports 12.4% profit rise for 2017 as revenues grows 13.8%
- Creditor starts legal proceedings for Abraaj restructuring
- Oman's Capital Market Authority provides firms with \$4.9bn funding
- Saudi stock index rise with support from oil price; Dubai falls on profit-taking
- Egypt cuts electricity subsidies, raises prices for FY 2018-19

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