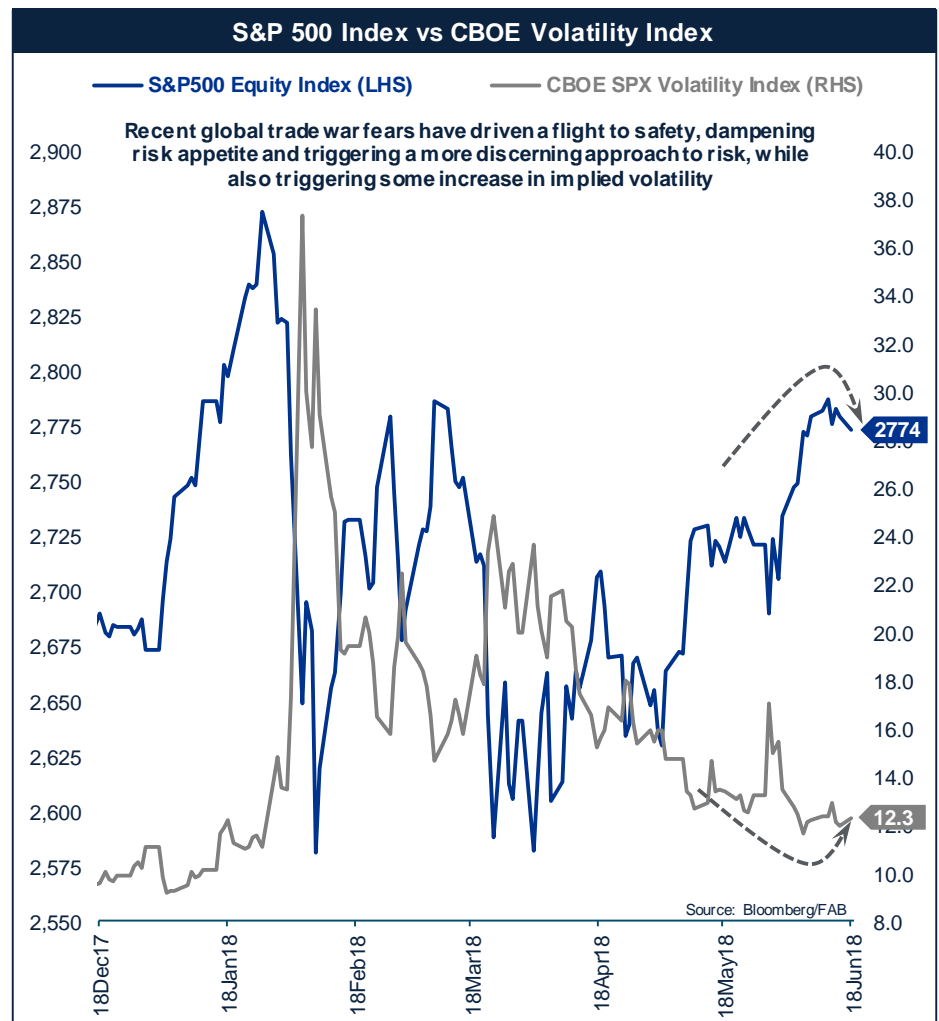


Daily Market Chatter

Macro Strategy View: Be Careful What You Wish for Mr. Trump

➤ We continue to believe that no one wins in a trade war; neither the two warring factions concerned, nor anyone in-between over the long-term. And given the negative market reaction of late to global trade concerns it seems as though most market participants concur – the one exception of course being U.S. President Trump. This said, with U.S. equity futures sharply lower again this morning in the wake of weaker Asian markets overnight, surely Trump will soon realize that his rhetoric and Tweets(!) are impacting closer to home (with his domestic investor base) and not just among Chinese exporters. For now, trade threats from both sides are fueling a defensive tone across the risk asset space, leaving equities feeling fragile, U.S. treasury yields, the yen and gold better bid and corporate bond spreads (cash and synthetic) softer for choice



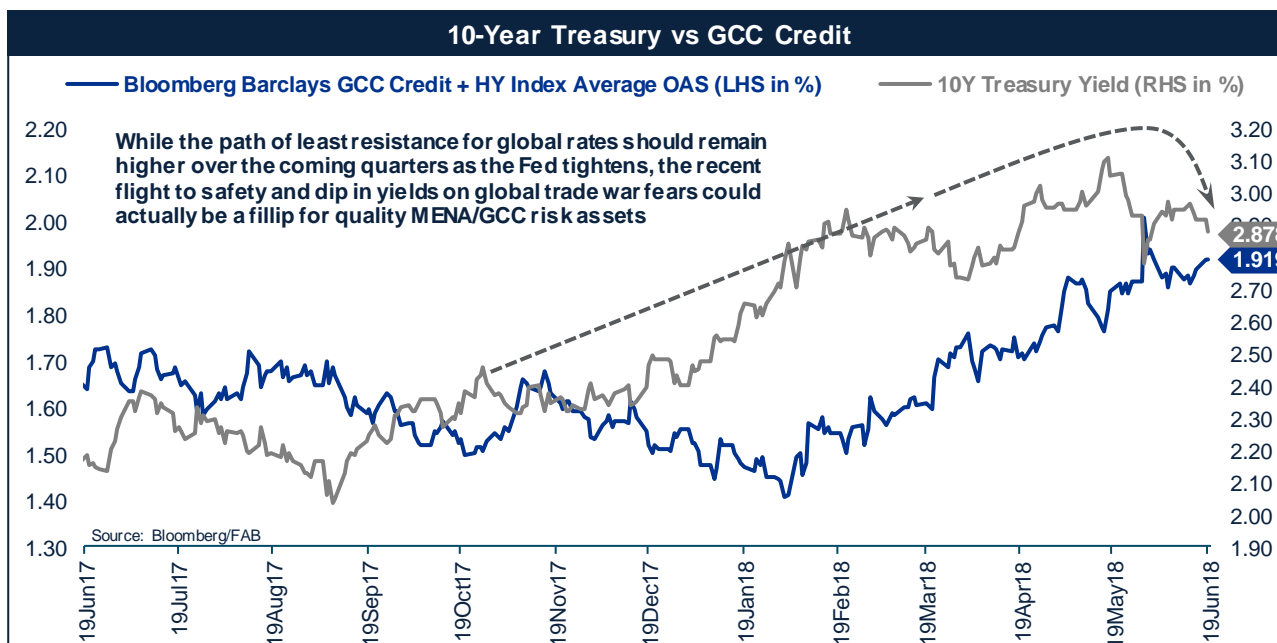
➤ There has been no visible capitulation by (credit) investors though and if anything the current bout of uncertainty and pick up in volatility is helping to stoke the bid for short-duration, fundamentally-sound risk. Indeed, amid the current uncertainties we continue to witness consistent appetite for short-dated MENA assets, including paper from Abu Dhabi corporate issuers where we see attractive relative value yields.

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- Paradoxically, it is the escalating trade war concerns that could lie behind the aforementioned bid for spread product. As per Atlanta Fed President Raphael Bostic's comments on Monday, if global trade war fears dampen the macro growth outlook then we would suggest that they could result in a more dovish stance re-emerging among central banks, at a time when financial markets are bracing themselves for quantitative tightening and balance sheet normalization. An easing of rate hike expectations could be a fillip for (quality) risk appetite over the coming months.
- Indeed, while the (tighter) rates market outlook will remain a key driver of risk asset performance and asset allocation strategies over the coming quarters as the Fed funds rate ratchets higher, the fact that recent defensive investor posturing has now driven the U.S. 10Y yield firmly back below the psychological 3% level, should help to buoy risk appetite in the near-term. Global trade and macroeconomic uncertainties in the background though continue to support our case for maintaining a discerning approach to risk.
(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	2.79%	-0.6	-0.5	-9.7	+100.3	+58.6
10Y	2.92%	-0.4	-3.5	-13.9	+72.8	+51.2
30Y	3.05%	+0.2	-4.5	-14.9	+26.4	+30.9

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	293.7	-0.3	-0.4	-5.9	+107.6	+69.3
10Y	298.3	-0.1	-3.2	-11.4	+81.3	+58.5
30Y	299.5	+1.3	-4.5	-13.5	+56.7	+45.8

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1623	+0.11%	-1.37%	-1.42%	+4.25%	-3.18%
GBP USD	1.3245	-0.25%	-1.00%	-1.36%	+3.99%	-1.98%
USD JPY	110.55	-0.10%	+0.47%	-0.45%	-0.88%	-1.90%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.7046	-0.55%	+4.01%	+2.81%	+33.54%	+23.86%
USD INR	67.9888	-0.04%	+0.74%	-0.20%	+5.53%	+6.45%
USD IDR	13,930.0	+0.56%	+0.00%	-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	407.8	+7.5	+18.7	+32.9	+76.2	+79.1
Sovx CEEMEA	82.2	+3.8	+82.2	+19.0	+30.4	+49.5
Itrax Xover	298.0	+3.8	+298.0	+21.6	+66.9	+64.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.4	+2.0	+5.0	+2.4	+20.5	+5.8
Kuwait 5Y	66.5	-0.0	+1.0	-0.8	+11.5	+2.6
Dubai 5Y	132.2	+5.6	+13.1	+12.9	+12.6	+9.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	105.6	+6.0	+11.2	+9.6	+13.5	+4.7
KSA 5Y	99.1	+4.5	+9.9	+6.6	+0.3	+7.4
Bahrain 5Y	435.3	+3.5	+2.0	+67.5	+205.3	+158.8

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	65.85	+1.21%	-0.38%	-7.62%	+48.98%	+8.99%
Brent Oil \$/bbl	75.34	+2.59%	-1.46%	-4.04%	+60.61%	+12.67%
Gold spot \$/oz	1,278.3	-0.05%	-1.70%	-1.10%	+2.77%	-1.88%
Silver spot \$/Troy oz	16.471	-0.58%	-2.69%	-0.24%	-0.19%	-2.75%
Aluminium 3MO \$	2,219.5	+0.70%	-3.54%	-2.22%	+18.88%	-2.14%
Nickel 3MO \$	14,975	-1.38%	-2.06%	+1.53%	+67.51%	+17.36%
Copper 3MO \$	6,964	-0.80%	-4.01%	+1.59%	+22.97%	-3.91%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,987	-0.41%	-1.32%	+1.10%	+16.06%	+1.09%
S&P 500	2,774	-0.21%	-0.30%	+2.24%	+13.05%	+3.75%
Nasdaq Composite	7,747	+0.01%	+1.14%	+5.34%	+24.17%	+12.22%
Nikkei	22,680	-0.75%	-0.54%	-1.09%	+13.02%	-0.37%
Hang Seng	30,309	-0.43%	-2.43%	-2.38%	+18.27%	+1.30%
Shanghai	3,022	-0.73%	-1.01%	-5.37%	-3.24%	-8.63%
Mumbai Sensex	35,548	-0.21%	+0.18%	+2.01%	+13.53%	+4.38%
DAX	12,834	-1.36%	-0.07%	-1.86%	-0.43%	-0.65%
CAC 40	5,450	-0.93%	-0.43%	-2.92%	+2.63%	+2.60%
FTSE 100	7,631	-0.03%	-1.37%	-1.90%	+1.43%	-0.73%
DJ Stoxx 50	3,467	-1.09%	-0.39%	-3.00%	-3.15%	-1.06%
FTSE MIB Index	22,099	-0.41%	+0.06%	-5.76%	+5.16%	+1.13%
SMI Index	8,520	-1.42%	-1.21%	-4.71%	-5.66%	-9.19%
MENA						
Abu Dhabi – ADX	4,588	-2.68%	-2.20%	+3.53%	+2.16%	+4.32%
Dubai – DFM	2,983	-1.83%	-2.35%	+2.40%	-13.76%	-11.50%
Saudi Arabia	8,270	+0.32%	-0.89%	+3.16%	+17.37%	+14.45%
Qatar	9,098	+0.19%	-1.56%	+1.97%	-1.73%	+6.74%
Bahrain	1,307	+0.89%	+3.45%	+2.62%	-1.48%	-1.83%
Kuwait (Premier Market)	4,823	+0.26%	+0.74%	+0.88%	NA	-2.49%
Oman	4,596	-0.05%	+0.34%	-2.00%	-13.29%	-9.87%
Egypt	16,221	+0.26%	+1.87%	-4.50%	+20.34%	+8.00%
Turkey	93,043	-1.58%	-2.95%	-9.15%	-6.33%	-19.33%

Source: Bloomberg

Overnight market headlines

Global News

- Trump threatens to hit China with new tariffs on \$200bn in goods
- China says will 'fight back firmly' if US publishes additional tariffs
- Fed's Bostic says economic optimism has 'almost completely faded' because of trade fears
- May's Brexit laws rejected by parliament, Wednesday showdown looms; officials involved in Brexit say deal unlikely until year-end
- 10-year treasury yield slips below 2.9%, yen jumps and Asia stocks slide to four-month low as Trump threatens more China tariffs; Oil trades near \$66

Middle East & Africa News

- Fitch Ratings says Abu Dhabi stimulus confirms fiscal adjustment is over
- Dubai Tourism encourages transit visitors to return to the emirate
- Franklin Templeton funds get QFI status in Saudi Arabia
- Air Arabia drops in Dubai on Abraaj links, most Abu Dhabi banks down
- Lebanon seeks to maintain growth, public debt ratios amid tensions, official says

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