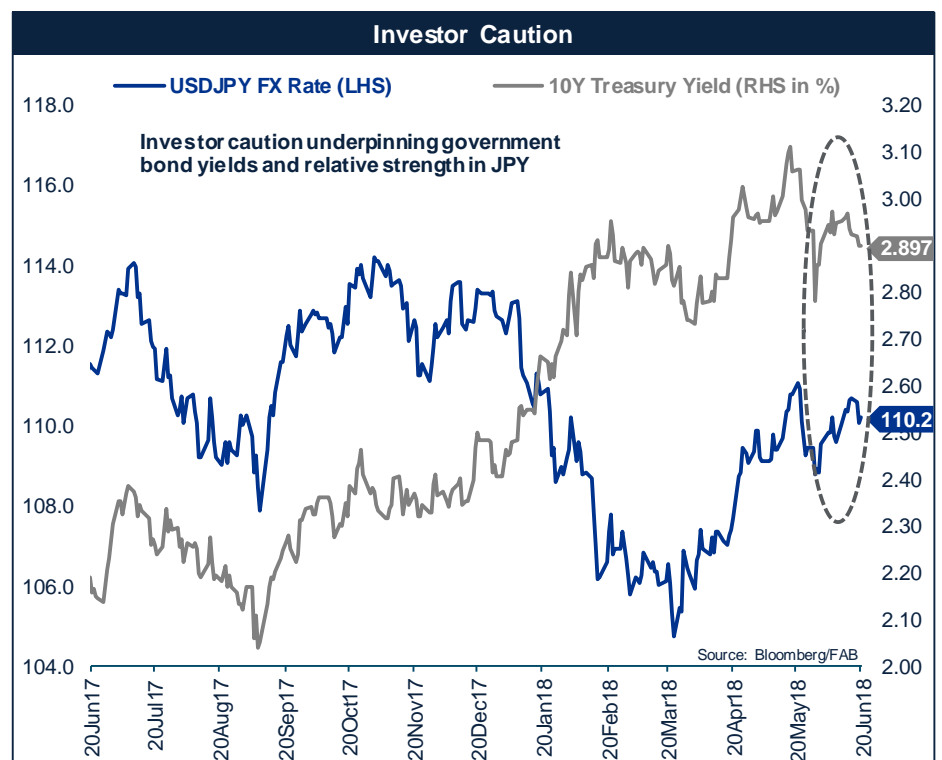


## Daily Market Chatter

### Macro Strategy View: Caution not Capitulation

- There is a decidedly nervous tone to the markets at the moment as we wait to see exactly how the global trade polemic plays out and, more precisely, how true to his protectionist word U.S. President Trump proves to be. Asian equity markets are showing a mixed picture in early trading this morning while the Asia and Australia iTraxx credit indices are straddling unchanged and the Yen has pared some of its recent flight to safety strength. The U.S. 10Y yield has bounced off the 2.85% low seen Tuesday – currently shown around 2.8950% on Bloomberg – but is still down from Friday's closing level of 2.9205% with defensive overtones to investor posturing ensuring that yields remain well anchored for now.



- So although there is no panic in the market at the moment, sentiment remains fragile; we believe that investors should use current pricing anomalies and elevated volatility to adjust asset allocation strategies ahead of further potential risk asset weakness. As we have discussed previously, there can be no long-term winners in a full-blown trade and, as such, we would conjecture that investment focus should now be increasingly on underlying macro fundamentals.
- A key threat to financial markets must be that if Trump does impose more stringent tariffs on China (and other global trading partners) then he will end up simply importing inflation. He will effectively be shooting himself in the foot. If a higher inflation environment then triggers a more hawkish response from the Fed, the ramifications of a higher rates structure for risk assets could be disruptive. In the U.S. credit space investor demand should naturally turn toward small cap companies – those with some insulation from global trade sensitivities – and especially those that have pricing power to offset inflation.

20 June 2018

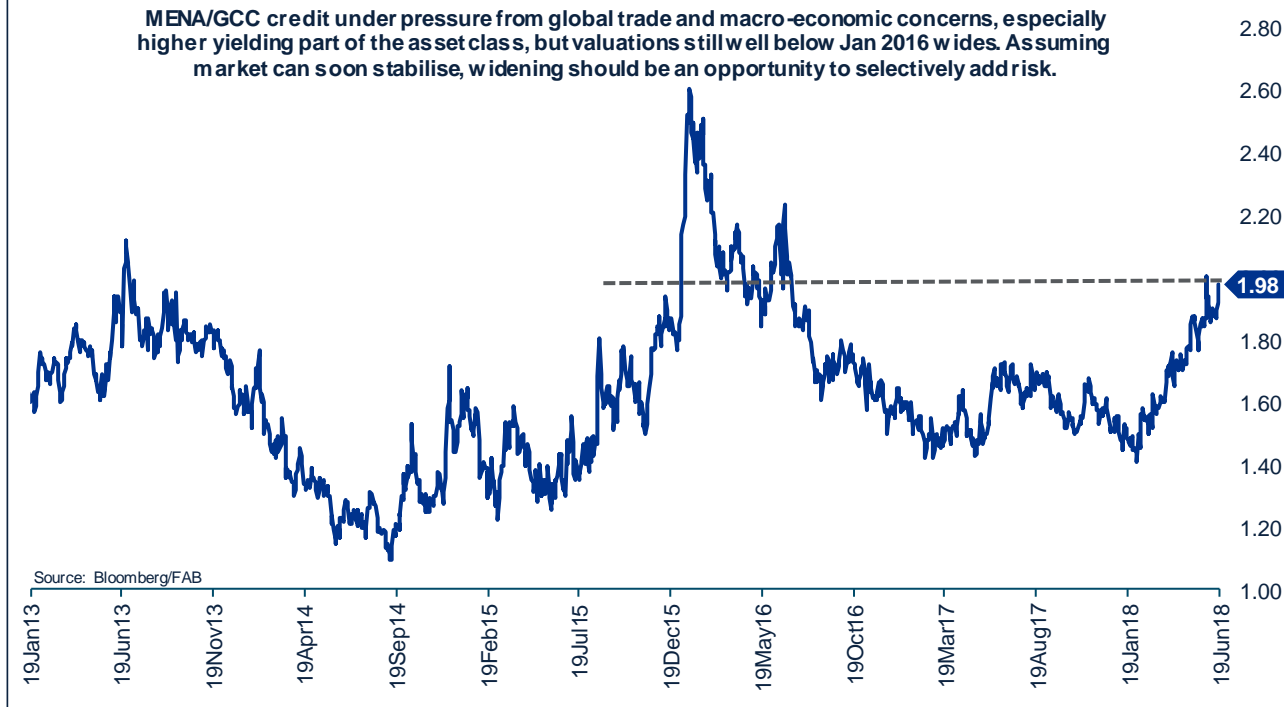
Simon Ballard  
 Macro Strategist

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 Analyst

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### Bloomberg Barclays GCC Credit + HY Index Average OAS (in %)

MENA/GCC credit under pressure from global trade and macro-economic concerns, especially higher yielding part of the asset class, but valuations still well below Jan 2016 wides. Assuming market can soon stabilise, widening should be an opportunity to selectively add risk.



- In the MENA/GCC space we would expect the spotlight to remain on the higher yielding areas of the asset class, but again the sector this should continue to benefit from conviction in underlying fundamentals. We would interpret any meaningful renewed pressure on prices/spreads as an opportunity to selectively buy the dip and add to exposure in the region, albeit that the fragility of the global macro outlook and prospect of incremental, measured-pace rate tightening and balance sheet normalization by the Fed over the coming quarters will likely favor the short end of the maturity spectrum.

(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	2.77%	-2.1	-3.9	-11.8	+100.7	+56.5
10Y	2.90%	-2.0	-6.4	-15.9	+74.0	+49.2
30Y	3.03%	-1.7	-6.1	-16.6	+29.4	+29.3

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	291.5	-2.2	-3.7	-8.1	+108.2	+67.1
10Y	296.5	-1.9	-5.9	-13.2	+82.8	+56.7
30Y	295.7	-3.8	-7.6	-17.2	+54.3	+42.0

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1590	-0.28%	-1.32%	-1.70%	+4.10%	-3.46%
GBP USD	1.3174	-0.54%	-1.48%	-1.88%	+4.32%	-2.51%
USD JPY	110.06	-0.44%	-0.28%	-0.89%	-1.25%	-2.33%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.7407	+0.77%	+3.13%	+3.60%	+33.75%	+24.81%
USD INR	68.3850	+0.58%	+1.10%	+0.38%	+6.02%	+7.07%
USD IDR	13,930.0	+0.56%	+0.26%	-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	413.1	+5.3	+19.9	+38.2	+82.3	+84.4
Sovx CEEMEA	82.6	+0.5	+13.0	+21.3	+27.2	+50.0
Itrax Xover	301.3	+3.3	-5.1	+22.9	+69.3	+68.1

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	70.7	+3.3	+8.4	+7.3	+21.0	+9.0
Kuwait 5Y	66.5	-0.0	+0.9	-0.0	+12.8	+2.6
Dubai 5Y	131.4	-0.8	+9.5	+13.4	+5.8	+8.9

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	108.3	+2.8	+13.0	+13.5	+9.7	+7.4
KSA 5Y	99.7	+0.6	+9.4	+8.3	-4.4	+8.0
Bahrain 5Y	458.0	+22.7	+21.4	+72.7	+225.1	+181.5

Source: Bloomberg

## Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	65.07	-1.18%	-1.94%	-8.71%	+50.52%	+7.70%
Brent Oil \$/bbl	75.08	-0.35%	-1.05%	-4.37%	+63.15%	+12.28%
Gold spot \$/oz	1,274.7	-0.29%	-1.64%	-1.39%	+2.55%	-2.16%
Silver spot \$/Troy oz	16.305	-1.01%	-3.31%	-1.24%	-0.98%	-3.74%
Aluminium 3MO \$	2,171.0	-2.19%	-5.69%	-4.36%	+15.08%	-4.28%
Nickel 3MO \$	14,655	-2.14%	-3.65%	-0.64%	+62.65%	+14.85%
Copper 3MO \$	6,840	-1.78%	-5.29%	-0.22%	+19.50%	-5.62%

Source: Bloomberg

## Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
<b>GLOBAL</b>						
Dow Jones Inds. Avg	24,700	-1.15%	-2.45%	-0.06%	+15.06%	-0.08%
S&P 500	2,763	-0.40%	-0.87%	+1.83%	+13.36%	+3.33%
Nasdaq Composite	7,726	-0.28%	+0.28%	+5.05%	+24.85%	+11.91%
Nikkei	22,278	-1.77%	-2.62%	-2.84%	+10.12%	-2.14%
Hang Seng	29,468	-2.78%	-5.26%	-5.09%	+14.03%	-1.51%
Shanghai	2,908	-3.78%	-5.58%	-8.94%	-7.39%	-12.08%
Mumbai Sensex	35,287	-0.74%	-1.14%	+1.26%	+12.75%	+3.61%
DAX	12,678	-1.22%	-1.28%	-3.06%	-1.07%	-1.86%
CAC 40	5,391	-1.10%	-1.15%	-3.99%	+1.83%	+1.47%
FTSE 100	7,604	-0.36%	-1.30%	-2.25%	+1.75%	-1.09%
DJ Stoxx 50	3,435	-0.90%	-1.16%	-3.87%	-3.52%	-1.96%
FTSE MIB Index	22,084	-0.07%	-0.16%	-5.82%	+6.12%	+1.06%
SMI Index	8,463	-0.66%	-2.05%	-5.34%	-6.21%	-9.79%
<b>MENA</b>						
Abu Dhabi – ADX	4,562	-0.58%	-3.63%	+3.07%	+2.38%	+3.71%
Dubai – DFM	2,939	-1.45%	-5.10%	+0.71%	-14.85%	-12.78%
Saudi Arabia	8,270	+0.32%	-0.10%	+3.15%	+18.95%	+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)	4,805	-0.36%	+0.45%	+0.72%	NA	-2.84%
Oman	4,589	-0.15%	-0.16%	-0.02%	-11.66%	-10.00%
Egypt	16,068	-0.94%	-0.46%	-4.26%	+19.77%	+6.98%
Turkey	94,437	+1.50%	-2.30%	-7.79%	-4.87%	-18.12%

Source: Bloomberg

## Overnight market headlines

### Global News

- Mario Draghi reinforces dovish message on interest rate hikes; says ECB could delay plans to end bond-buying program if required
- EU leaders call for more preparations for no-deal Brexit
- White House piles pressure on China after Trump tariff threat
- PBOC to use tools 'comprehensively' as trade war sparks sell-off; Governor Yi says China has the capacity to face trade tensions
- Dollar steadies amid trade war tension while 10-year treasury yield trades below 2.9%; Chinese stocks extend slump, other Asian markets mixed; Oil holds losses near \$65

### Middle East & Africa News

- UAE Central Bank joins efforts to boost consumer confidence
- Abu Dhabi Investment Authority acquires stake in pensions firm
- Saudi Arabia, Russia to invest \$2bn in tech projects
- Abraaj says court appoints PwC and Deloitte as joint liquidators; ADFG unit offers to buy Abraaj's investment management arm
- Dubai slips on property and banking shares, Abu Dhabi also down
- Egypt says to receive \$2bn IMF payment by end-July
- Morocco's central bank keeps rates unchanged at 2.25%
- Lebanon's finance minister warns over slow formation of government

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