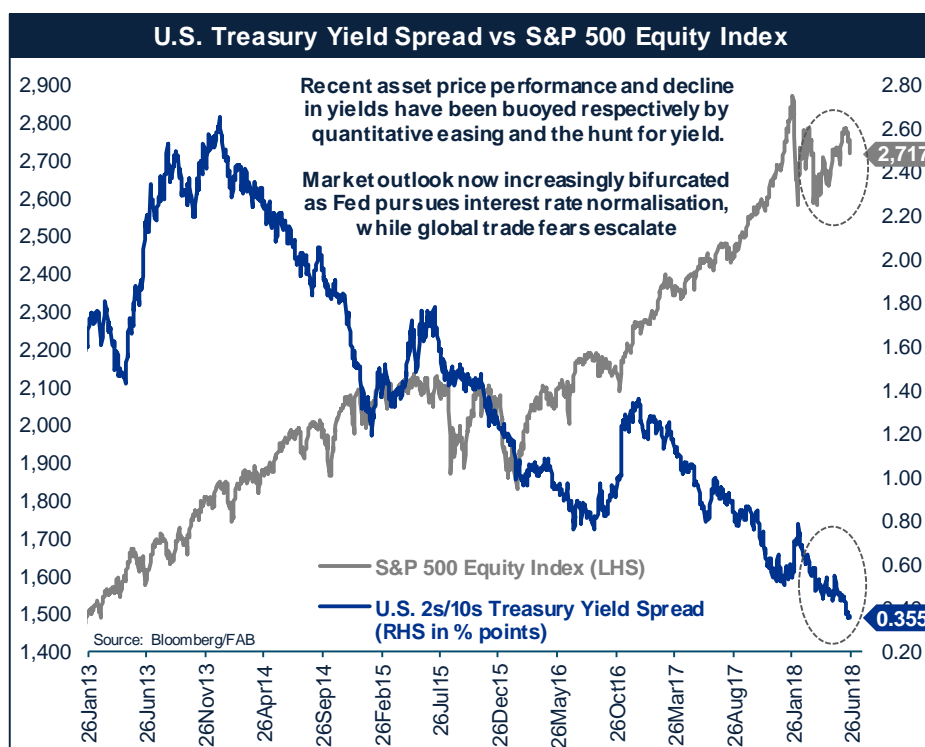


Daily Market Chatter

Macro Strategy View: Already Seeking Solace in U.S. Mid-Terms

- One would assume that U.S. President Trump has seen the impact that his 'Make America Great Again' strategy of import tariffs and trade restrictions is now having on domestic (U.S.) as well as global stock markets. As such, with U.S. mid-term elections taking place in just over 4 months' time, we would not be surprised to see Trump tactically change tack slightly in the coming weeks in order to bolster the Republicans' chances at the ballot box on November 6. For now though, investor sentiment and risk asset price performance remain hostage to Trump's protectionist rhetoric and their ramifications for the global economy.



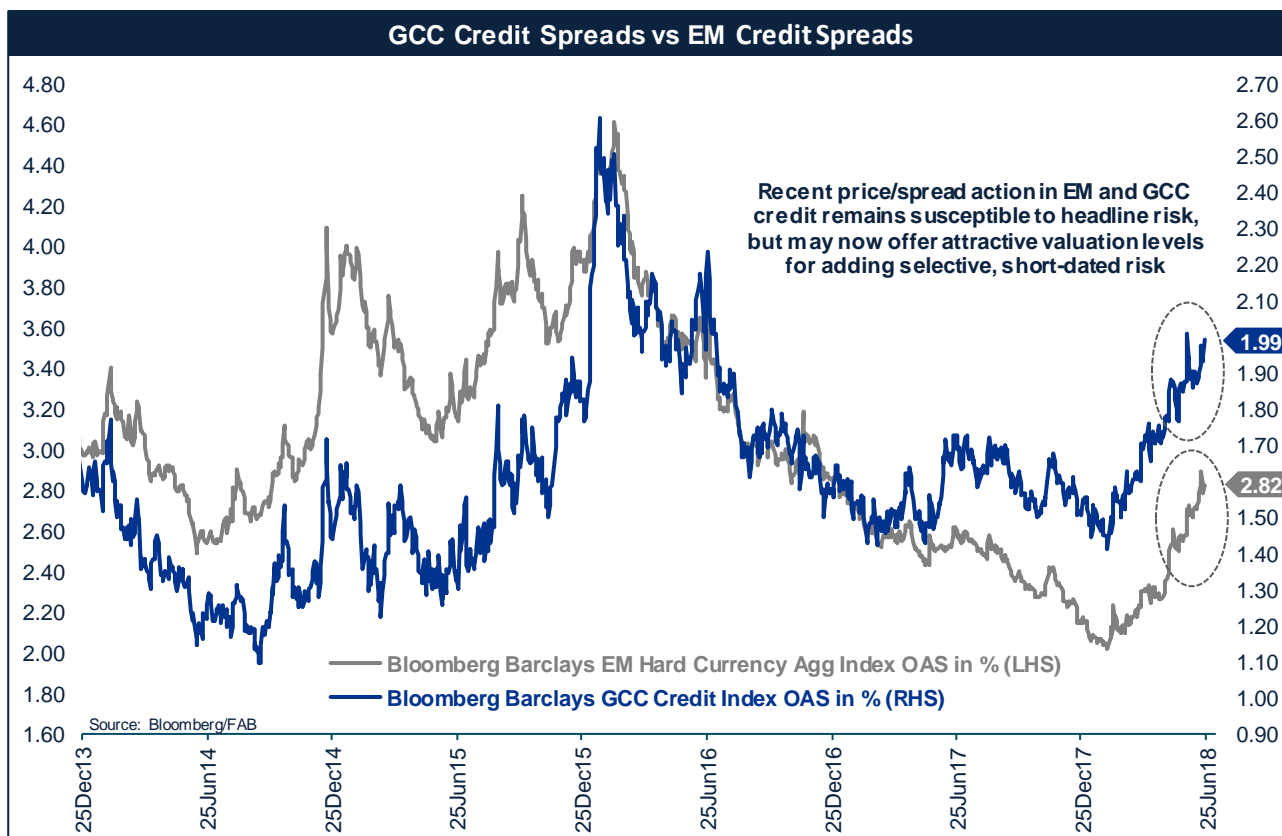
- Equity indices have traded sharply into the red overnight as the flight to safety takes hold, albeit with Nikkei and Hang Seng now paring those losses. At the same time, government bond yields have been driven lower. The U.S. 10Y currently at 2.882% has rallied from 3.112% in mid-May, albeit that the overall direction of travel year-to-date has been higher from the 2.41% low level of January. More impressive though has been the flattening of the broader yield curve during the hunt for short duration, defensive assets; the U.S. 10s/2s curve has flattened from a ytd high of 78bps in February to 35bbps currently and from as high as 264bps at the end of 2013.
- The intention of Trump's tweets and communications with regard to import tariffs etc., is surely to renegotiate more favorable terms for U.S. trade rather than create an isolationist position for his economy with higher imported inflation. Assuming this is achieved through negotiation over the coming months and that the trade polemic then begins to abate, allowing the Fed to proceed with its gradual pace of monetary tightening, we would expect the upward bias in yields to resume toward our 2018 year-end target of 2.30% upside limit on the 10Y bond.

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- For now though investors seem set to remain in de-risk mode, with a strong up-in-quality bias. With credit and equity markets under pressure we would advocate a near-term focus on liquidity and staying nimble in terms of short-term trading strategies. Within the MENA/GCC space we continue to favor short duration, fundamentally-sound credit and would look to very selectively add on dips over the coming weeks, before liquidity likely dries up further for the summer.
(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	2.75%	-1.5	-4.0	-1.4	+99.5	+54.6
10Y	2.88%	-1.5	-3.7	-5.1	+74.3	+47.6
30Y	3.02%	-1.5	-2.4	-6.8	+32.7	+28.5

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	289.8	-1.7	-3.9	+2.5	+107.3	+65.4
10Y	294.8	-1.5	-3.5	-4.9	+82.9	+55.0
30Y	295.3	-2.7	-4.2	-7.1	+57.6	+41.6

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1704	+0.45%	+0.70%	+0.68%	+4.67%	-2.51%
GBP USD	1.3281	+0.15%	+0.27%	-0.23%	+4.39%	-1.72%
USD JPY	109.77	-0.18%	-0.71%	+0.32%	-1.87%	-2.59%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.6818	+0.10%	-0.48%	+2.14%	+33.75%	+23.26%
USD INR	68.1250	+0.43%	-0.38%	+1.03%	+5.59%	+6.66%
USD IDR	14,155.0	+0.52%	+1.62%	+1.14%	+6.20%	+4.33%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	401.0	+7.0	-6.8	+35.7	+62.0	+72.3
Sovx CEEMEA	79.2	+2.5	-3.0	+20.3	+27.6	+46.5
Itrax Xover	313.9	+9.0	+15.9	-4.4	+81.6	+80.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	66.7	-0.1	-0.7	+4.6	+6.9	+5.0
Kuwait 5Y	66.6	-0.4	+0.1	+2.1	+11.6	+2.7
Dubai 5Y	132.0	+3.9	-0.2	+15.1	+6.7	+9.6

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	99.4	+1.2	-6.2	+9.7	-14.4	-1.6
KSA 5Y	96.0	+1.9	-3.1	+8.6	-13.8	+4.3
Bahrain 5Y	609.3	+170.4	+173.9	+236.4	+372.0	+332.7

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	68.08	-0.73%	+3.39%	+0.29%	+56.94%	+12.68%
Brent Oil \$/bbl	74.73	-1.09%	-0.81%	-2.24%	+63.06%	+11.75%
Gold spot \$/oz	1,265.6	-0.39%	-0.99%	-2.57%	+1.68%	-2.85%
Silver spot \$/Troy oz	16.331	-0.78%	-0.85%	-0.87%	-1.67%	-3.58%
Aluminium 3MO \$	2,155.0	-0.92%	-2.91%	-4.77%	+15.55%	-4.98%
Nickel 3MO \$	14,730	-3.50%	-1.64%	-0.34%	+62.22%	+15.44%
Copper 3MO \$	6,755	-0.50%	-3.00%	-1.89%	+16.46%	-6.79%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,253	-1.33%	-2.94%	-2.02%	+13.28%	-1.89%
S&P 500	2,717	-1.37%	-2.04%	-0.16%	+11.40%	+1.63%
Nasdaq Composite	7,532	-2.09%	-2.78%	+1.32%	+20.57%	+9.11%
Nikkei	22,338	-0.79%	-1.51%	-0.50%	+10.84%	-1.87%
Hang Seng	28,961	-1.29%	-4.45%	-5.32%	+11.94%	-3.20%
Shanghai	2,859	-1.05%	-5.38%	-8.98%	-10.24%	-13.54%
Mumbai Sensex	35,470	-0.61%	-0.22%	+1.56%	+13.91%	+4.15%
DAX	12,270	-2.46%	-4.39%	-5.16%	-3.92%	-5.01%
CAC 40	5,284	-1.92%	-3.06%	-4.67%	-0.22%	-0.54%
FTSE 100	7,510	-2.24%	-1.59%	-2.85%	+0.85%	-2.31%
DJ Stoxx 50	3,369	-2.10%	-2.81%	-4.16%	-5.41%	-3.85%
FTSE MIB Index	21,355	-2.44%	-3.37%	-4.66%	+1.68%	-2.28%
SMI Index	8,459	-1.83%	-0.71%	-3.43%	-7.26%	-9.84%
MENA						
Abu Dhabi – ADX	4,537	-0.29%	-1.11%	-1.39%	+2.39%	+3.16%
Dubai – DFM	2,868	-2.09%	-3.85%	-2.93%	-15.71%	-14.90%
Saudi Arabia	8,342	-0.10%	+0.87%	+3.79%	+12.34%	+15.44%
Qatar	8,937	-0.76%	-1.58%	-1.24%	-1.04%	+4.85%
Bahrain	1,302	-0.40%	+0.44%	+3.04%	-0.87%	-2.26%
Kuwait (Premier Market)	4,866	+1.11%	+0.90%	+3.81%	NA	-1.61%
Oman	4,583	-0.22%	-0.28%	+0.41%	-10.45%	-10.12%
Egypt	16,458	+0.38%	+1.46%	-1.06%	+22.66%	+9.58%
Turkey	94,008	-1.92%	+1.04%	-8.91%	-5.65%	-18.49%

Source: Bloomberg

Overnight market headlines

Global News

- US Treasury's Mnuchin says new investment curbs not specific to China; officials send mixed signals on China investment curbs
- US, Europe trade war heats up as Harley-Davidson shifts production; Trump says Harley waved 'white flag' in trade war
- Chinese Premier Xi is said to have told CEOs he'll strike back at US
- Stocks pummeled on intensifying trade row; Dollar wobbles, while yen and treasuries strengthen on haven demand; US oil premium rises on shortage as OPEC uncertainty persists

Middle East & Africa News

- Bahrain bond-sukuk spread balloons
- Dubai World Trade Centre announces up to 70% reduction on Free Zone licencing and incorporation fees
- India plans to participate in oil block auctions in UAE, says oil minister Pradhan; ADNOC, Saudi Aramco to partner on development of \$44bn Indian mega refinery
- Kuwait plans new laws to ease curbs on foreign projects
- Dubai stock index hits lowest since Jan 2016 on DSI, Saudi loses momentum

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