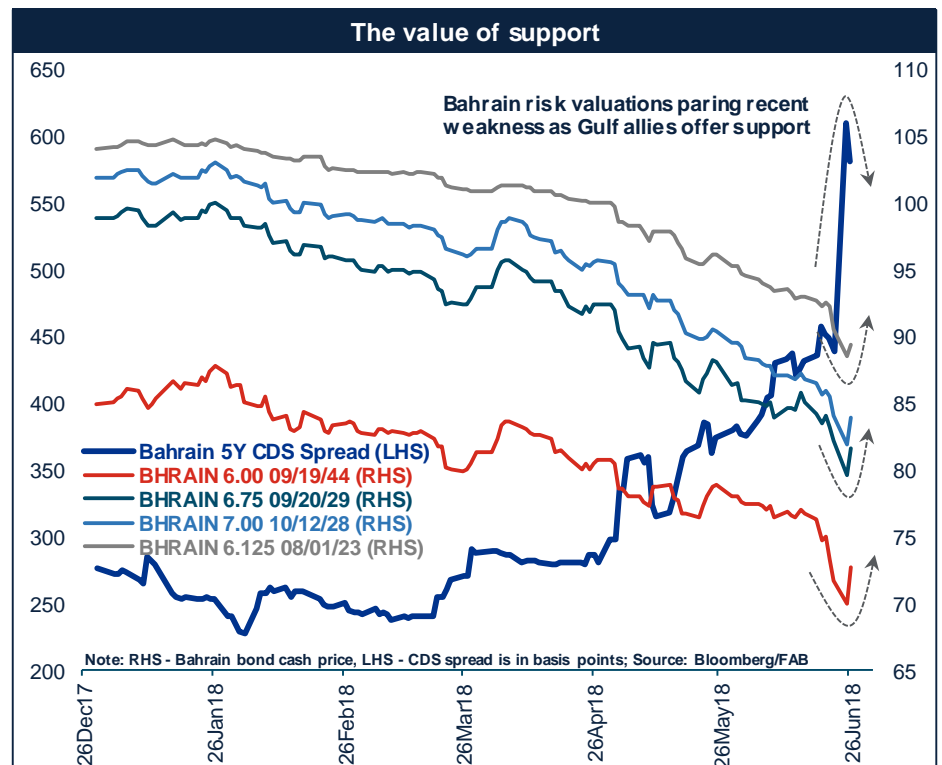


Daily Market Chatter

Macro Strategy View: Bahrain Buoyed by Allies' Offer of Support

- Bahrain will be back in the spotlight early Wednesday after Saudi Arabia, Kuwait and the United Arab Emirates were reported late Tuesday to be preparing an integrated support program for the troubled economy, according to a statement sent to and seen by Reuters. With Bahrain sovereign bonds and CDS having seen some extreme weakness – alongside that of the dinar – in recent weeks, we would expect valuations to now bounce on this news as risk appetite picks up, at least tentatively.
- As a reflection of the nervous sentiment that has engulfed the Bahrain economy in recent months, the sovereign's 5-year CDS contract had rocketed higher by almost 400bps this year. From a low of 227.47 in February, the contract flirted with the 610 level on Monday this week. We have long conjectured that Gulf neighbor support would be forthcoming if warranted, as discussed in our recent analysis of the country entitled '[Battered but not broken](#)'. That such support now seems set to transition from implicit to explicit in nature, valuations on Bahrain risk should come back from arguably 'oversold' levels.



- This said, we acknowledge that the Kingdom is still facing some extremely challenging times ahead and a bumpy fiscal road over the coming quarters. However, in the context of the now expected support from its Gulf neighbors, we believe that Bahrain will have both the time and the ability to pull itself back onto a more sustainable economic path. Further financial reforms will of course be a key element of the recovery process, but confirmation that Saudi, Kuwait and the UAE have got its back helps to reassure our view that the economy can work its way back onto a more sustainable economic path.

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

27 June 2018

Simon Ballard
Macro Strategist

Rakesh Sahu
Analyst

Please click [here](#) to view our recent publications on MENA and Global Markets

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	2.75%	-0.5	-2.4	-1.9	+93.5	+54.1
10Y	2.88%	-0.4	-2.0	-5.5	+67.2	+47.2
30Y	3.03%	+0.1	-0.7	-6.7	+27.3	+28.6

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	289.4	-0.4	-2.1	+2.1	+102.6	+65.1
10Y	294.7	-0.1	-1.8	-5.0	+77.0	+54.9
30Y	295.6	+0.3	-0.1	-6.8	+51.6	+41.9

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1648	-0.48%	+0.50%	+0.20%	+2.73%	-2.97%
GBP USD	1.3225	-0.42%	+0.39%	-0.65%	+3.21%	-2.13%
USD JPY	110.06	+0.26%	+0.00%	+0.58%	-2.04%	-2.33%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.6148	-1.43%	-2.66%	+0.68%	+30.88%	+21.50%
USD INR	68.2513	+0.19%	+0.26%	+1.22%	+5.76%	+6.86%
USD IDR	14,178.0	+0.68%	+1.78%	+1.31%	+6.38%	+4.50%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	403.2	+2.2	-9.9	+37.9	+66.8	+74.5
Sovx CEEMEA	79.0	-0.2	-3.7	+20.8	+26.0	+46.3
Itrax Xover	317.4	+3.4	+16.1	-0.9	+79.5	+84.2

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	71.5	+4.8	+0.8	+9.2	+8.8	+9.8
Kuwait 5Y	69.1	+2.5	+2.6	-1.0	+4.5	+5.2
Dubai 5Y	140.7	+8.7	+9.4	+23.1	+10.6	+18.3

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	100.9	+1.5	-7.4	+7.9	-14.7	-0.0
KSA 5Y	97.2	+1.2	-2.5	+7.4	-14.6	+5.5
Bahrain 5Y	580.4	-28.9	+122.4	+201.2	+333.9	+303.9

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	70.53	+3.60%	+8.39%	+3.90%	+59.43%	+16.73%
Brent Oil \$/bbl	76.31	+2.11%	+1.64%	-0.17%	+63.58%	+14.12%
Gold spot \$/oz	1,259.0	-0.52%	-1.23%	-3.08%	+0.95%	-3.36%
Silver spot \$/Troy oz	16.298	-0.20%	-0.04%	-1.07%	-2.21%	-3.78%
Aluminium 3MO \$	2,157.5	+0.12%	-0.62%	-4.66%	+15.87%	-4.87%
Nickel 3MO \$	14,785	+0.37%	+0.89%	+0.03%	+63.82%	+15.87%
Copper 3MO \$	6,713	-0.62%	-1.86%	-2.50%	+15.85%	-7.37%

Source: Bloomberg

Continued...

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,283	+0.12%	-1.69%	-1.90%	+13.95%	-1.76%
S&P 500	2,723	+0.22%	-1.43%	+0.06%	+12.55%	+1.85%
Nasdaq Composite	7,562	+0.39%	-2.12%	+1.72%	+23.02%	+9.53%
Nikkei	22,342	+0.02%	+0.29%	-0.48%	+10.47%	-1.86%
Hang Seng	28,881	-0.28%	-1.99%	-5.58%	+11.77%	-3.47%
Shanghai	2,845	-0.52%	-2.18%	-9.45%	-10.86%	-13.99%
Mumbai Sensex	35,490	+0.06%	+0.58%	+1.62%	+14.64%	+4.21%
DAX	12,234	-0.29%	-3.50%	-5.44%	-3.45%	-5.29%
CAC 40	5,281	-0.05%	-2.03%	-4.71%	+0.43%	-0.59%
FTSE 100	7,538	+0.37%	-0.87%	-2.49%	+1.39%	-1.95%
DJ Stoxx 50	3,369	-0.01%	-1.94%	-4.17%	-4.79%	-3.86%
FTSE MIB Index	21,419	+0.30%	-3.01%	-4.37%	+3.02%	-1.99%
SMI Index	8,478	+0.23%	+0.17%	-3.21%	-6.56%	-9.63%
MENA						
Abu Dhabi – ADX	4,566	+0.63%	+0.09%	+0.64%	+3.03%	+3.80%
Dubai – DFM	2,836	-1.11%	-3.52%	-3.28%	-16.64%	-15.85%
Saudi Arabia	8,299	-0.52%	+0.34%	+4.10%	+11.76%	+14.84%
Qatar	8,895	-0.47%	-2.23%	-1.09%	-1.50%	+4.36%
Bahrain	1,302	+0.03%	-0.41%	+3.08%	-0.83%	-2.23%
Kuwait (Premier Market)	4,922	+1.14%	+2.42%	+5.08%	NA	-0.49%
Oman	4,570	-0.29%	-0.42%	+0.07%	-10.71%	-10.38%
Egypt	16,197	-1.58%	+0.81%	-2.71%	+20.72%	+7.85%
Turkey	94,408	+0.43%	-0.03%	-8.52%	-5.25%	-18.14%

Source: Bloomberg

Overnight market headlines

Global News

- US consumer confidence slips, house price gains slow
- Brexit to hold back productivity, says MPC member
- EU trade commissioner warns of 'consequences' for US companies in a trade war; Canada said to prepare steel quotas, tariffs on imports
- US House backs tighter foreign investment rules amid China worries
- Asia shares hobbled by trade fears, oil extends gains

Middle East & Africa News

- Saudi Arabia, Kuwait and UAE to announce measures to support Bahrain's economy; Bahrain central bank says committed to keeping currency peg
- Fitch affirms Oman at 'BBB-'; outlook negative
- Fitch says Oman's external position and balance sheet strengths are dwindling; expects the sovereign to issue \$4bn of foreign debt in 2019
- Kuwait's economy grows 1.65 in Q1
- UAE Central Bank's foreign assets up to AED 326.6 bn in May
- Real estate and construction shares weigh on Dubai index while bank shares support Abu Dhabi; Saudi slips

Please refer to our daily news summary if you wish to read the full articles

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

Tel: +971 2 6110 127

Reuters dealing codes: **FABU / FABA**

Please click [here](#) to view our recent publications on MENA and Global Markets

Disclaimer: To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (the “Bank”) and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an “as is” and “as available” basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.