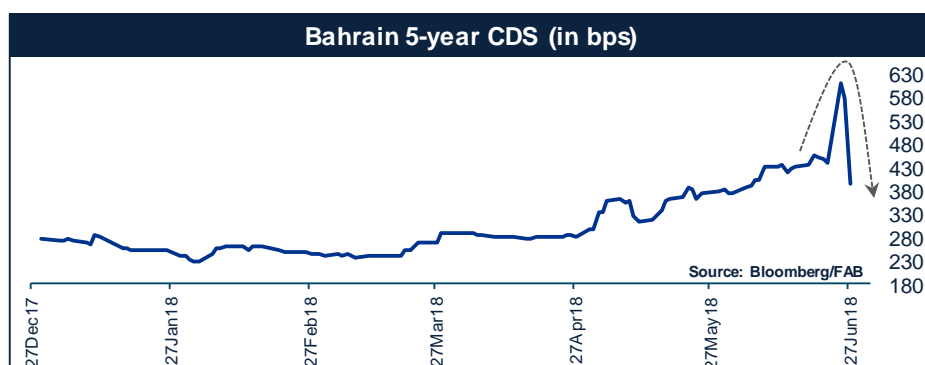
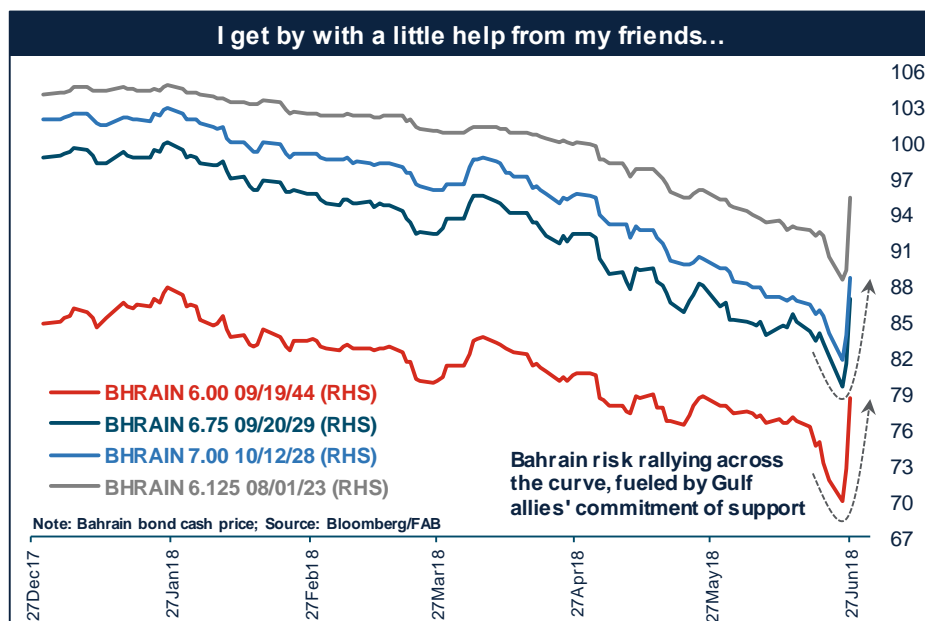


## Daily Market Chatter

### Macro Strategy View: Idiosyncratic Relative Value

- The price and spread performance in Bahrain risk assets over this week has been a clear reflection of the benefits of idiosyncratic, fundamentally-driven investment strategies. The Kingdom is still facing some extremely challenging times ahead and a bumpy fiscal road over the coming quarters, but the implied transition of GCC neighbour support from implicit to explicit in nature this week has fuelled a 200bps rally in the 5Y CDS and a 5-7 point bounce in bond prices.



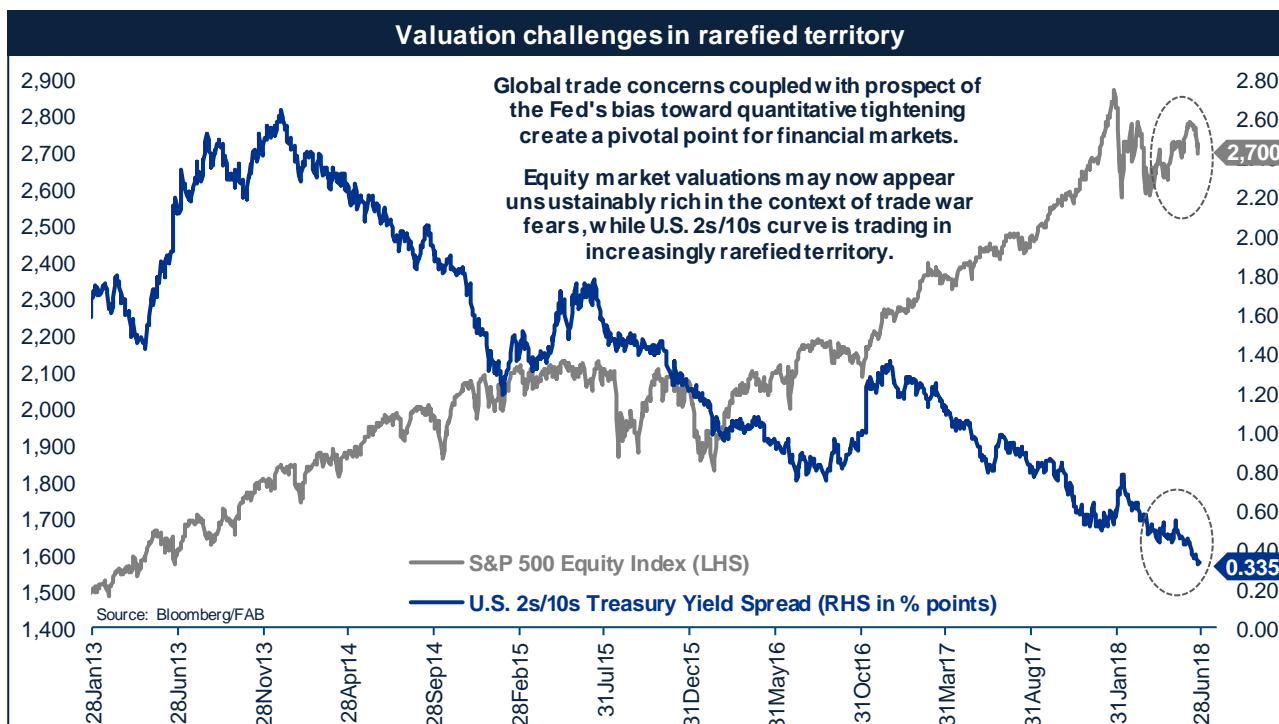
- Meanwhile, broader market sentiment remains hampered by global trade uncertainties amid the mixed, but consistently protectionist rhetoric from the Trump administration. Asian equity markets were mixed overnight, but are now edging into positive territory, helping to buoy U.S. and European futures higher.
- At the same time though, the overarching tone to investor sentiment remains cautious; the U.S. 10Y yield remains below 2.85% for now anchored by the flight-to-safety bid, while the U.S. 2s/10s curve at a compressed 33bps, is at its flattest since 2007. The curve reflects investors pricing in a tectonic shift by the Fed toward quantitative tightening, versus the defensive bid for treasuries amid opaque long-term economic growth sustainability and inflation expectations.

28 June 2018

Simon Ballard  
Macro Strategist

Rakesh Sahu  
Analyst

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- In the corporate credit space the iTraxx indices are also mixed this morning between Europe (net tighter on average) and Asia (ex-Japan Asia IG index is 5.6bps wider as of 10am UAE time). The latter will have been weakened by the disappointing Japanese retail sales and retail trade data released earlier today. At -1.7% MoM, the provisional May retail sales number was down sharply from the +1.4% growth in the prior month and well short of the expected, more modest, decline of just -0.8%. The annual growth rate of 0.6% was also short of consensus (+1.4%) and down from the +1.6% YoY seen in April.
- The data adds to concerns about persistently weak consumer spending and the negative connotations that this could have for Japan's economic growth outlook.  
(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	2.70%	+0.5	-10.8	-6.5	+87.9	+49.4
10Y	2.83%	-5.1	-11.4	-10.6	+59.8	+42.1
30Y	2.97%	-5.8	-11.0	-12.5	+18.6	+22.8

Source: Bloomberg

\$ Mid Swap	Prev day Close	Change (basis points)				
		1D	1W	1M	1Y	YTD
5Y	285.0	-4.4	-9.8	-2.3	+96.9	+60.6
10Y	289.9	-4.9	-10.3	-9.9	+69.7	+50.1
30Y	292.1	-3.5	-6.1	-10.3	+46.3	+38.4

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1554	-0.81%	-0.16%	-0.61%	+1.55%	-3.76%
GBP USD	1.3113	-0.85%	-0.45%	-1.49%	+1.45%	-2.96%
USD JPY	110.26	+0.18%	-0.09%	+0.77%	-1.82%	-2.16%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	4.6231	+0.18%	-2.31%	+0.86%	+31.61%	+21.72%
USD INR	68.6338	+0.56%	+0.96%	+1.79%	+6.32%	+7.46%
USD IDR	14,178.0	+0.00%	+0.55%	+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	410.4	+7.2	+6.6	+45.1	+75.9	+81.8
Sovx CEEMEA	78.1	-0.9	-3.6	+20.0	+23.9	+45.5
Itrax Xover	319.7	+2.4	+18.9	+17.6	+82.6	+86.5

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	69.1	-2.3	+0.9	+6.7	+6.4	+7.5
Kuwait 5Y	70.2	+1.1	+4.1	+2.3	-7.8	+6.3
Dubai 5Y	135.0	-5.7	+7.2	+16.4	+3.2	+12.6

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	99.3	-1.6	-3.9	+5.7	-20.5	-1.6
KSA 5Y	95.1	-2.1	-1.4	+5.7	-15.4	+3.4
Bahrain 5Y	393.7	-186.7	-58.5	+11.5	+141.8	+117.1

Source: Bloomberg

## Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	72.76	+3.16%	+9.88%	+7.19%	+62.63%	+20.42%
Brent Oil \$/bbl	77.62	+1.72%	+3.85%	+3.08%	+64.07%	+16.08%
Gold spot \$/oz	1,252.4	-0.53%	-1.22%	-3.59%	+0.25%	-3.87%
Silver spot \$/Troy oz	16.058	-1.47%	-1.39%	-2.52%	-4.48%	-5.19%
Aluminium 3MO \$	2,176.0	+0.86%	+0.46%	-3.84%	+15.56%	-4.06%
Nickel 3MO \$	14,880	+0.64%	-0.63%	+0.68%	+60.69%	+16.61%
Copper 3MO \$	6,693	-0.31%	-1.19%	-2.80%	+14.25%	-7.65%

Source: Bloomberg

## Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
<b>GLOBAL</b>						
Dow Jones Inds. Avg	24,118	-0.68%	-2.19%	-2.57%	+12.41%	-2.43%
S&P 500	2,700	-0.86%	-2.45%	-0.80%	+10.61%	+0.97%
Nasdaq Composite	7,445	-1.54%	-4.32%	+0.15%	+19.42%	+7.85%
Nikkei	22,272	-0.31%	-1.26%	-0.93%	+10.64%	-2.17%
Hang Seng	28,356	-1.82%	-4.51%	-7.91%	+10.41%	-5.22%
Shanghai	2,813	-1.10%	-3.52%	-10.27%	-11.35%	-14.94%
Mumbai Sensex	35,217	-0.77%	-0.93%	+0.15%	+14.21%	+3.41%
DAX	12,349	+0.93%	-2.73%	-4.00%	-2.36%	-4.41%
CAC 40	5,327	+0.87%	-0.84%	-3.30%	+1.41%	+0.28%
FTSE 100	7,622	+1.11%	-0.07%	-1.40%	+3.17%	-0.86%
DJ Stoxx 50	3,397	+0.84%	-1.23%	-2.46%	-3.92%	-3.05%
FTSE MIB Index	21,558	+0.65%	-2.54%	-1.71%	+2.42%	-1.35%
SMI Index	8,505	+0.31%	-0.62%	-3.09%	-6.30%	-9.35%
<b>MENA</b>						
Abu Dhabi – ADX	4,545	-0.46%	-0.12%	-0.06%	+2.13%	+3.32%
Dubai – DFM	2,815	-0.74%	-3.68%	-3.93%	-16.69%	-16.47%
Saudi Arabia	8,317	+0.22%	+1.85%	+4.45%	+12.01%	+15.10%
Qatar	8,929	+0.38%	+0.53%	-2.15%	-1.13%	+4.76%
Bahrain	1,306	+0.33%	+0.39%	+3.63%	-0.29%	-1.91%
Kuwait (Premier Market)	4,926	+0.08%	+2.29%	+4.98%	NA	-0.41%
Oman	4,577	+0.14%	-0.37%	-0.31%	-10.58%	-10.25%
Egypt	16,176	-0.13%	+0.20%	-3.66%	+20.76%	+7.71%
Turkey	95,955	+1.64%	+1.48%	-9.92%	-4.63%	-16.80%

Source: Bloomberg

## Overnight market headlines

### Global News

- New orders for US-made capital goods fall unexpectedly in May; retail and wholesale inventories rise, trade gap narrows
- BOE's Carney hits back at EU, sounds Brexit alarm saying trillions of pounds of contracts are at risk
- Japan's retail sales drop by most in nearly two years in May
- China think tank warns of 'financial panic' in leaked report
- China is said to consider banning short-term dollar bond sale; NDRC seeks to limit bond proceeds to only refinancing
- Asian shares flirt with nine-month low on mounting trade war fears; Dollar pares rise, while 10-year treasury trades at 2.83%; Oil pulls back but trades near highest since 2014

### Middle East & Africa News

- Bahrain dinar, bonds rebound after GCC allies promise to avert debt crisis
- Kuwait parliament approves 8% spending boost as reserves dwindle
- SMEs contribute 40% to Dubai's GDP
- Dubai mall operator Majid Al Futtaim plans \$13.6bn project in Omani capital
- Real estate, construction drag Dubai down, Saudi rises
- Egypt finance chief eyes sukuk for funds; Issuance would be Egypt's first foray into Islamic bonds
- Nigeria eyes \$2.8bn debt from offshore sources

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## Market Insights & Strategy

### FAB Global Markets

Email: [Marketinsights&strategy@bankfab.com](mailto:Marketinsights&strategy@bankfab.com)

Tel: +971 2 6110 127

Reuters dealing codes: **FABU / FABA**

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