

## Daily Market Chatter (18-August-2016)

### G10 Rates

- As widely expected there was little to indicate an imminent hike from the FED July meeting minutes last night and the TY failed to break out of the 131/133 range its been stuck in for the last month. The FED also seems stuck at least according to the minutes. Individually there seems to be no cohesion of thought and to my mind, many excuses not to hike rates. Today we look forward to claims and the Philly Fed for a little bit of spice.
- There has been some underlying strength to the UK market over the last couple of session supported by yesterday's employment data and wage inflation for JUNE. Many participants have been distracted by our stellar performance at the Olympics or are on holiday and liquidity is super thin. Most still believe there will be another 15bp cut before year end although if the market holds in for now it seems unlikely that we'll see any further action in September. July retails sales are released today and it will be interesting to see if the Brexit effects on domestic spending will be offset by an increase in tourism.
- Europe is still pottering along and we'll see inflation data today as well as the meeting minutes. It seems that Draghi has achieved his goal of stability for now although there is plenty of event risk bubbling away. Feels like something has to give one way or another.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.13%	-2.8	+6.0	-0.0	-44.7	-62.8
10Y	1.55%	-2.5	+4.2	-3.3	-64.3	-71.9
30Y	2.26%	-3.8	+3.2	-3.5	-59.6	-75.6

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	118.9	+3.3	+6.3	+8.0	-49.6	-54.0
10Y	144.7	+0.9	+4.2	+1.0	-80.0	-74.0
30Y	176.7	-1.1	+0.3	-7.5	-88.2	-84.6

Source: Bloomberg

### FX

- Buying interest in Asian EM currencies seen amid slightly dovish Fed minutes and without clear signals of a firm rate hike schedule. MYR led the rally boosted by rallying oil prices and traded below 3.9900 again. 1m NDF vs spot price traded down to 10 pips with bond inflows seen in the longer end of the curve.
- CNH DF spiked during London/NY trading session with 1y DF taken to a high of 1115 pips as macros and corporates start hedging USDCNH outright exposure with USDCNH spot slowly heading towards support level at 6.6000. Yet local supply of

1y DF during Asian time zone capped the curve, with funding remaining flush in the market held DF steady without spiking further.

## EM

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	2.9315	+0.15%	-0.91%	-1.31%	+1.26%	+0.50%
USD INR	66.765	+0.00%	+0.07%	-0.64%	+2.22%	+0.92%
USD IDR	13,147.0	+0.47%	+0.26%	+0.46%	-4.73%	-4.65%

Source: Bloomberg

## G10

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1273	+0.04%	+0.95%	+1.82%	+2.19%	+3.75%
GBP USD	1.3013	-0.18%	+0.06%	-1.84%	-16.87%	-11.68%
USD JPY	100.32	-0.01%	-1.01%	-5.49%	-19.34%	-16.54%

Source: Bloomberg

## Commodities Market

- Front month crude prices rallied yesterday evening as EIA reported US inventories fell by greater than expected for the week ending 12 August. Crude inventories fell by 2.5mb vs an expected increase of 522kb. Cushing crude stocks fell by 724kb; gasoline fell by 2.7mb vs forecasts of 1.6mb decline. Distillates rose by 1.9mb in contrast to a forecast 742kb expected decrease. Refinery utilisation rates rose by 1.3% vs an expected 0.5% drop. Gasoline cracks have rallied back to \$14.75/bbl but still well below last year's summer levels of \$25.
- In other news, Saudi Arabia has signalled that it might increase its August crude supply to a new record-high level and possibly surpass Russian output, according to a Reuters report. Saudi Arabia began raising oil production from June to meet seasonal domestic demand as well as higher export requirements, producing 10.55mb/d in June, still managed to increase July output to 10.67mb/d ( highest in its history). Saudi Arabia was telling the market that its output could rise further in August to as much as 10.8-10.9mb/d. The development comes ahead of talks between major OPEC and non-OPEC producers scheduled for September, when measures to support oil prices are expected to dominate proceedings.

## MENA Fixed Income

- A busy Wednesday here with healthy two way flow and inquiries although a couple of names felt a touch heavy at the close but in general the hunt for yield is very much intact with GCC Sov issues i.e. ADGB 26s, QATAR 26s etc leading the way. On that yield side, out of 23 developed nations 13 of them have negative yields in their 2yr space...interesting times!
- Fed minutes are out and show a bit of a divide among policymakers whether to raise rates soon or not, this is a day after Dudley comments stating it's possible to raise

rates in Sept. Anyways let's see but personally I don't see it happening this year especially with the rest of the world rates where they are.

- Oman 26s still look cheap especially if you compare it to other EM names like South Africa. Oman 26s trades @ Zsprd 280 vs 235 for SOAF 26s, that's almost 50bps pickup and Oman has a better rating (BBB vs BBB-). We have been actively trading the Oman curve since it was issued in June.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	344.7	+3.4	-9.5	-5.6	-77.0	-65.4
Sovx CEEMEA	114.6	+1.8	+1.0	-18.3	-197.1	-69.0
Itrax Xover	311.6	+7.1	+0.1	-8.9	-1.1	-2.9

Source: Bloomberg

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	75.5	+0.0	-1.7	-1.5	+17.7	-17.1
Qatar 5Y	91.9	-5.6	-12.3	-13.1	+33.1	-0.7
Dubai 5Y	160.0	+0.0	-3.2	-12.0	-23.7	-73.7

Source: Bloomberg

## Overnight market headlines

### Global News

- Fed minutes show divide in policymakers over whether to raise rates soon; widening Fed consensus on inflation overshadows rate-hike debate
- US mortgage demand to buy homes hits six-month low
- UK jobs market shows resilience for now against Brexit fallout
- BOJ cornered as Japanese banks running out of bonds to sell; banks cut almost half of holdings since Kuroda began easing
- Dollar slides on Fed minutes and yen surges past 100; treasuries gain for second day; Asia shares mixed
- Oil holds longest run of gains in over a year as US glut eases

### Middle East & Africa News

- Saudi Arabia said to signal it may hit new oil output record in August
- Saudi, other GCC entities gear up for over \$25bln bond issuance
- Qatar central bank sells \$1.26bn worth riyal bonds, sukuk in first sale this year
- Aldar Properties extends \$490m worth loans on strong 'interest-only' terms
- Waha Capital secures \$500m revolving credit facility
- Egypt expects Arab allies to provide aid as part of IMF deal
- Egypt's dollar black market resilient despite new threat of jail terms
- Saudi falls to four-month low, FTSE hopes support Qatar
- Tunisia economy grew 1.4% in second quarter vs 1.1% year ago
- Kenya's central bank warns lenders over misuse of credit bureaus

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

## Key data points – Global

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
<b>GLOBAL</b>						
Dow Jones Inds. Avg	18,574	+0.12%	+0.42%	+0.22%	+6.07%	+6.59%
S&P 500	2,182	+0.19%	+0.31%	+0.71%	+4.07%	+6.77%
Nasdaq Composite	5,229	+0.03%	+0.46%	+3.42%	+3.35%	+4.42%
Nikkei	16,746	+0.90%	+0.06%	+1.50%	-18.53%	-12.02%
Hang Seng	22,800	-0.48%	+1.37%	+4.57%	-2.88%	+4.04%
Shanghai	3,110	-0.02%	+3.01%	+2.17%	-17.04%	-12.14%
Mumbai Sensex	28,005	-0.21%	+0.83%	+0.93%	+0.62%	+7.23%
DAX	10,538	-1.30%	-1.06%	+4.72%	-3.47%	-1.91%
CAC 40	4,418	-0.96%	-0.77%	+1.38%	-11.14%	-4.73%
FTSE 100	6,859	-0.50%	-0.11%	+2.45%	+5.10%	+9.88%
DJ Stoxx 50	2,981	-1.18%	-1.26%	+1.06%	-14.73%	-8.78%
FTSE MIB Index	16,528	-1.58%	-1.57%	-1.40%	-29.33%	-22.83%
SMI Index	8,154	-0.75%	-0.67%	-0.10%	-13.11%	-7.53%
<b>MENA</b>						
Abu Dhabi - ADX	4,525	-0.38%	-0.30%	-1.32%	-0.32%	+5.06%
Dubai – DFM	3,557	-0.85%	+0.74%	+0.61%	-7.08%	+12.87%
Saudi Arabia	6,220	-1.71%	-2.11%	-6.91%	-24.12%	-10.00%
Qatar	11,409	+0.33%	+3.75%	+7.78%	-2.24%	+9.39%
Bahrain	1,148	-0.36%	-0.37%	-1.39%	-13.60%	-5.60%
Kuwait	5,474	-0.61%	-0.71%	+1.73%	-11.64%	-2.52%
Oman	5,894	+0.12%	+0.02%	+0.86%	-4.80%	+9.02%
Egypt	8,347	-0.48%	+0.67%	+9.42%	+12.83%	+19.15%
Turkey	78,148	+0.57%	+0.25%	+1.55%	+2.88%	+8.95%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	46.79	+0.45%	+12.18%	+3.43%	+9.78%	+26.32%
Brent Oil \$/bbl	49.85	+1.26%	+13.17%	+6.15%	+2.13%	+33.72%
Gold spot \$/oz	1,344	-0.30%	-0.04%	+1.22%	+20.43%	+26.57%
Silver spot \$/Troy oz	19.64	-1.04%	-2.57%	-1.86%	+32.14%	+41.52%
Alluminium 3MO \$	1,694	+0.06%	+2.85%	+1.50%	+8.04%	+12.41%
Nickel 3MO \$	10,220	-0.34%	-5.89%	-0.58%	-3.81%	+15.87%
Copper 3MO \$	4,774	-0.77%	-0.97%	-2.93%	-6.67%	+1.47%

Source: Bloomberg

# NBAD Global Markets

## Contact details

### G10 FX & Rates

Craig Tredgett  
[Craig.Tredgett@nbad.com](mailto:Craig.Tredgett@nbad.com)

Alison Higgins  
[Alison.Higgins@nbad.com](mailto:Alison.Higgins@nbad.com)

### G10 FX Spot

Phil Muldoon  
[Phil.Muldoon@nbad.com](mailto:Phil.Muldoon@nbad.com)

Nourah Al Zahmi  
[Nourah.Alzahmi@nbad.com](mailto:Nourah.Alzahmi@nbad.com)

### MENA Fixed Income

Matthew Locke  
[Matthew.Locke@nbad.com](mailto:Matthew.Locke@nbad.com)

### Market Insights & Strategy

Chavan Bhogaita  
[Chavan.Bhogaita@nbad.com](mailto:Chavan.Bhogaita@nbad.com)

### EM FX & Rates

Husain Askar  
[Husain.Askar@nbad.com](mailto:Husain.Askar@nbad.com)

Ahmed ElAlami  
[Ahmed.ElAlami@nbad.com](mailto:Ahmed.ElAlami@nbad.com)

### Non-Linear Rate & Derivatives

Hein Van Der Wielen  
[Hein.Wielen@nbad.com](mailto:Hein.Wielen@nbad.com)

Vijesh Peris  
[Vijesh.Peris@nbad.com](mailto:Vijesh.Peris@nbad.com)

Mohamed Bouzoubaa  
[Mohamed.Bouzoubaa@nbad.com](mailto:Mohamed.Bouzoubaa@nbad.com)

Naoufal Alami  
[Naoufal.Alami@nbad.com](mailto:Naoufal.Alami@nbad.com)

## NBAD Global Markets

Tel: 00971 2611 0111

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