

Daily Market Chatter (27-July-2016)

FX

G10

- FOMC this evening and with improving US data and a stock market close to record highs, the Fed will undoubtedly indicate to markets that every meeting will now be data dependent and live for rate hikes, despite perception that September is still a long shot at a 1 in 5 chance. No move this time around, the Fed seen holding rates steady at 0.5% as inflation watch continues but USD bulls continue to bet that an endorsement of the recent policy divergence theme will be forthcoming, with little reason to fear a higher USD from here.
- Data today in the form of UK Q2 GDP, US Durable Goods and US weekly mortgage applications before this evening's FOMC meeting.
- JPY – rollercoaster ride for the JPY so far this week, opening up above 106.00, and yesterday falling back to 104.30 driven by doubts about the extent of upcoming fiscal easing and pre-BoJ meeting nerves. However the currency has plunged again this morning on a report that Abe is to announce details of a 27trln stimulus package this morning, as expectations of satisfaction are significantly revived, USDJPY trading back to 106.50 and Japanese stocks rebounding into the bargain, before settling back near 105.50. Not for the faint hearted this one, yet exporters will remain lined up to sell any USDJPY strength and only a break above 108.00 would worry longer term bears in this pair.
- GBP – the pound was under pressure yesterday as hawkish MPC member Martin Weale did an about turn and became a dove in one fell swoop, deciding to announce his backing for an immediate BoE rate cut in light of last week's poor UK PMIs. With suspicions that previous easing sceptics Vlieghe and Forbes may have also changed their tune, Cable set about attempting a break of 1.3050 but failing as hedge funds dipped their toes in to sell EURGBP above 0.8425. Preference to sell GBP rallies is retained however, post- Brexit economic uncertainty set to run. Only a move above 1.3500 would concern at this stage.
- EUR – the single currency appears content to continue its drift around the 1.1000 handle, failing to hold onto modest bounces and favouring the lower end of its recent range as event risk is set to increase into the business end of the week. With markets seemingly comfortable long of USDs, the EUR looks set to grind lower towards 1.0950, a break potentially yielding 1.0890 which could indeed confirm a new range lower, especially if the Fed abandon previous objections to a rising USD tonight.
- AUD – Australian Q2 CPI remains significantly weak enough to leave the RBA with scope to cut interest rates as early as next week. With inflation low enough to

warrant further easing, markets are pricing in a better than even chance of cutting rates on Aug 2nd after 3 months of inaction, with expectations elevated that the CB confirms an underlying soft inflation trend in the very least. Despite raw material prices such as iron and steel underpinning the currency somewhat, AUD has struggled on approaches to 0.7550 and a move below 0.7400 looks achievable.

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.0988	+0.01%	-0.24%	-0.45%	-1.12%	+1.12%
GBP USD	1.3140	+0.02%	+0.16%	-0.56%	-15.60%	-10.82%
USD JPY	104.79	-1.01%	-1.23%	+2.91%	-14.95%	-12.82%

Source: Bloomberg

EM

- Quiet day ahead of FOMC meeting tonight. Some buying interest in IDR on the back of bond inflows as 10y benchmark breaks 7%. However MYR continues to weaken gradually as oil continues its falling trend, yet 1m NDF vs spot points remain steady at 25 pips.
- CNH funding eases as payment period for RRR passed with t/n trading at 2 pips/day. Long end of the curve also seeing selling interest with 1y touching 1320.

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	3.0449	+0.27%	+0.16%	+3.76%	+9.96%	+4.38%
USD INR	67.275	-0.12%	+0.25%	-0.99%	+4.84%	+1.69%
USD IDR	13,175.0	+0.25%	+0.66%	-1.32%	-2.14%	-4.45%

Source: Bloomberg

G10 Rates

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.16%	+3.1	+5.3	+18.2	-39.9	-59.6
10Y	1.56%	-1.2	+0.9	+12.3	-65.7	-70.7
30Y	2.28%	-0.4	+1.6	+1.9	-65.0	-73.2

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	118.8	+0.3	+9.0	+22.8	-51.7	-54.2
10Y	148.1	+0.4	+6.4	+14.4	-83.6	-70.6
30Y	186.0	+1.2	+3.7	+5.2	-90.1	-75.3

Source: Bloomberg

Commodities Market

- Oil prices were mixed as WTI fell 0.5% to close at \$42.92 but Brent rose 0.3% to settle at \$44.87. API reported post-settlement that 0.8 mln bbls of crude were drawn from stockpiles for the week ended Jul 22, lower than consensus estimates of 2.5 mln bbls.
- Gold prices rose 0.4% to close at \$1320.26 and silver finished 0.4% higher at \$19.64. This comes as the dollar index weakened 0.1%, largely due to the yen's 1.1% rally amid expectations of a stronger fiscal stimulus package.

- Copper prices edged 0.6% higher to \$4930 while iron ore prices rose 2.1% to \$54.17 amid a 1.1% rally in the Shanghai Composite Index. According to the official Xinhua news agency, China's top steelmaking province Hebei plans to cut iron making capacity by 17.26 million tonnes, and reduce 14.22 million tonnes of steel making capacity by the end of this year.

MENA Fixed Income

- Markets are clearly taking a breather ahead of the FED and the summer lull. We continue to see profit taking in some of the recent benchmark issues notably ADGB and TAQA although OMAN in both tranches had a decent regional bid. The long end of Qatar came under pressure as USTS slid. We don't see much in the way of new issuance although its possible early next week could yield one or two names before the summer sets in.
- In Asia stocks are mixed with Nikkei up on back of stimulus optimism but China closed mid-session lower over regulatory measures that may limit wealth management products.
- Asian CDS is opening a shade weaker as are cash bonds but markets are quiet.
- We have some 'summer clean up' Asian axes where we will pay/offer mid-market for any accounts looking to trade the following Chinese names: CHRAIL, BOCOM, CHGDNU, CHIOLI, HRAM, ICBCIL, KUNLEG, MINMET, PINGLI, SHCONS and in HK CCAMCL. Please check with the sales force.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	368.1	+6.0	+7.8	-23.1	-38.5	-42.0
Sovx CEEMEA	130.9	+1.6	+3.5	-3.8	-171.6	-52.6
Itrax Xover	320.1	-0.4	-9.4	-73.0	+22.7	+5.6

Source: Bloomberg

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	85.0	+12.5	+4.5	-10.8	+32.9	-7.6
Qatar 5Y	110.0	+5.0	+3.8	-3.0	+55.2	+17.4
Dubai 5Y	173.5	+3.5	+1.5	-10.7	-11.4	-60.1

Source: Bloomberg

Continued...

Overnight market headlines

Global News

- US consumer confidence steady; new home sales near eight-and-a-half-year high
- US Markit Flash Services PMI slips to 50.9 in July; Composite PMI edges higher to 51.5
- Japan's Fuji News Network says Abe will announce a stimulus package of ¥27tn today
- Australian inflation remains subdued, leaving rate cut on table
- Asia stocks rise as yen weakens before BOJ; Gold fall with treasury
- Oil trades near 3-month low as Cushing supplies exacerbate gluts

Middle East & Africa News

- S&P affirms Abu Dhabi's TDIC At 'AA/A-1+'; Outlook Stable
- DP World's H1 gross volumes up 1.2% like-for-like, 2.5% on reported basis
- Qatari telco Ooredoo Q2 profit up 16.4% on Asian ops
- Saudi Telecom reports 27.1% fall in Q2 profit
- Kuwait Finance House Q2 net profit rises 13.3%
- Aluminium Bahrain may increase \$750m loan for expansion project
- Abraaj says Turkey acquisitions plans not impacted by political situation
- Egyptian pound held steady at auction, firms on black market
- Egypt talks for IMF loan program are nearing 'final stages'
- Q2 profit misses weigh on Saudi markets, Gulf weak
- Nigeria raises benchmark rate to 14% to lure investors as central bank sees their unwillingness to bring in new capital; Naira falls 4.9% to a record 310.5
- Kenya's central bank chief says inflation under control, ample liquidity in banking sector

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

Continued...

Key data points – Global

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	18,474	-0.10%	-0.46%	+7.78%	+5.92%	+6.02%
S&P 500	2,169	+0.03%	+0.25%	+8.43%	+4.91%	+6.13%
Nasdaq Composite	5,110	+0.24%	+1.46%	+11.22%	+1.39%	+2.05%
Nikkei	16,383	-1.43%	-2.03%	+7.01%	-19.49%	-13.93%
Hang Seng	22,130	+0.62%	+2.11%	+9.41%	-9.13%	+0.98%
Shanghai	3,050	+1.14%	+0.45%	+5.33%	-18.13%	-13.82%
Mumbai Sensex	27,977	-0.42%	+0.68%	+5.96%	+1.51%	+7.12%
DAX	10,248	+0.49%	+2.67%	+10.56%	-7.31%	-4.61%
CAC 40	4,395	+0.15%	+1.49%	+10.29%	-10.81%	-5.23%
FTSE 100	6,724	+0.21%	+0.40%	+12.40%	+3.37%	+7.72%
DJ Stoxx 50	2,979	+0.19%	+1.63%	+10.43%	-15.21%	-8.83%
FTSE MIB Index	16,697	+0.03%	+0.14%	+10.55%	-26.80%	-22.04%
SMI Index	8,227	+0.40%	+1.43%	+8.33%	-10.52%	-6.70%
MENA						
Abu Dhabi - ADX	4,592	-0.49%	+0.18%	+3.55%	-5.77%	+6.60%
Dubai – DFM	3,540	-0.44%	+0.39%	+7.73%	-14.61%	+12.34%
Saudi Arabia	6,471	-0.69%	-2.65%	+0.09%	-28.74%	-6.38%
Qatar	10,538	-0.15%	-1.04%	+7.34%	-11.55%	+1.04%
Bahrain	1,160	+0.35%	-0.23%	+4.24%	-13.28%	-4.61%
Kuwait	5,484	+1.64%	+2.11%	+2.20%	-12.39%	-2.33%
Oman	5,810	-0.03%	-0.57%	+0.81%	-11.53%	+7.48%
Egypt	7,540	+0.30%	-0.75%	+9.21%	-4.41%	+7.62%
Turkey	73,689	-0.65%	-3.27%	-1.96%	-4.73%	+2.74%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	42.92	-0.49%	-3.87%	-7.36%	-9.43%	+15.87%
Brent Oil \$/bbl	44.87	+0.34%	-3.84%	-4.86%	-16.08%	+20.36%
Gold spot \$/oz	1,320	-0.01%	-0.94%	-0.13%	+20.31%	+24.30%
Silver spot \$/Troy oz	19.64	+0.02%	-1.48%	+10.86%	+33.80%	+41.51%
Alluminium 3MO \$	1,592	-0.81%	-3.34%	-1.58%	-3.07%	+5.64%
Nickel 3MO \$	10,350	-1.19%	-1.99%	+14.75%	-8.41%	+17.35%
Copper 3MO \$	4,930	+0.63%	-1.08%	+4.94%	-6.33%	+4.78%

Source: Bloomberg

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