

Daily Market Chatter (07-June-2016)

G10 Rates

- Light data day yesterday and the market waited on Yellen for some further direction after the jobs number on Friday. She was not as dovish as the market had hoped clearly stating that they will be watching the jobs data carefully but they don't make their decisions based on one number. Next week's meeting is off the table but she is still expecting 'gradual increases' 'likely to be appropriate'. Comments were backed by Rosengren, Lockhart and Bullard who are all talking about two hikes by year end and July being a live market – July currently has less than 30% priced in by the market. Data will be key and there could be some movement on Nonfarm Productivity and Unit Labour Costs given the focus on employment data. The later Economic Optimism and Consumer Credit numbers aren't really going to move any mountains.
- Over in cable land the polls are really too close to call and the currency is bouncing around a big figure here, a big figure there, on every new release. Very tricky to trade and liquidity has been impacted further exaggerating any moves. House Price data the only releases in the UK today but they will likely get lost in the referendum drama as the curve has inverted again as it did in February with 60% chance of a cut priced into the Feb 17 meeting. As no one can actually decide whether Brexit would create inflation through devaluation of the currency or cause such destruction the country would need to move to negative rates it is difficult to navigate the GBP curve and we remain fairly neutral.
- Decent data out of Europe today with Q1 final GDP numbers a positive revision would be nice but is unlikely, this is Europe after all. The curve has moved somewhat lower but just continues to function in a dire manner. A real shake up is necessary in the region which a Brexit vote could provide...
- RBA were not as dovish as expected this morning offering no easing bias in their statement. The currency has had a decent move on the back of it and the curve is up 5-7 ticks across the board with 2-5ys recovering the most.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.25%	+1.9	-13.5	+2.1	-49.0	-50.9
10Y	1.74%	+3.6	-11.4	-4.2	-67.1	-53.2
30Y	2.56%	+4.8	-8.9	-7.0	-55.7	-45.8

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	122.0	+1.6	-13.6	+7.1	-61.6	-51.0
10Y	159.7	+2.1	-11.3	+0.3	-87.3	-59.0
30Y	206.7	+2.4	-10.0	-5.2	-82.7	-54.5

Source: Bloomberg

FX

G10

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1378	+0.10%	+2.19%	-0.11%	+1.29%	+4.71%
GBP USD	1.4461	-0.39%	-1.19%	+0.43%	-5.53%	-1.85%
USD JPY	106.94	+0.38%	-3.78%	-1.36%	-14.49%	-11.03%

Source: Bloomberg

EM

- Risk on sentiment continues as equities heading close to yearly highs, triggered Asian EM currencies stronger against the USD today. IDR and MYR were among the main performers moving 0.5% strong as oil also trying to test 50 USD/barrel again. Seen good interest in buying THB as well as 1month offshore points trading close to par which is a good signal to show offshore interest.
- USDCNH however pops 100 pips during Asian hours due to local corporate buying USD interest, while DF remains steady with T/N holding at around 1.8 pips.
- Market seems favour risk on as expectations of rate hike is delayed and we prefer long high beta Asia EM currencies in the meantime.

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	2.9102	+0.27%	-1.53%	-1.11%	+5.49%	-0.23%
USD INR	66.978	-0.42%	+0.51%	+0.59%	+4.51%	+1.25%
USD IDR	13,370.0	-1.66%	-1.98%	+0.42%	-0.11%	-3.03%

Source: Bloomberg

Commodities Market

- Oil prices rose overnight, with WTI closing 2.2% higher at \$49.69 and Brent closing 1.8% higher at \$50.55. Industry sources said output of Nigeria's Bonny Light crude had fallen an estimated 170 kbpd from attacks on pipeline infrastructure, bringing total crude production in the country down more than 500 kbpd. This comes as former Nigerian President Goodluck expressed confidence that authorities can reach an agreement with militants to stop their attacks. Preliminary work got underway on Monday to restart three of Total's French oil refineries stopped as part of nationwide strikes against planned changes to employment laws, however, workers were still on strike at the country's two main oil ports. Natural gas futures on Monday jumped to a five-month high at \$2.44 on expectations the power sector will keep burning record amounts of the fuel to meet higher-than-normal cooling demand over the next two weeks.
- Copper prices were unchanged at \$4688 despite a sharp increase in LME on-warrant stocks. Iron ore prices surged 6% to \$47.87 as rebar and iron ore port inventories continued to shrink.
- Corn futures rallied 2.2% to \$4.27 amid production concerns that that rains in South America and Europe and dryness in the United States could limit crop production.

MENA Fixed Income

- Monday was an interesting day for the start of Ramadan. The rally in the underlying post NFP failed to follow through into our market. Surprisingly we saw regional accounts using the uptick to scale out of some risk. That said we still had a 5Y CBQ A2/BBB+/A+ in the wings which priced at MS+215. CBQ is a popular name both here and overseas and the book of almost USD2bn on the first day of Ramadan is evidence. They got USD 750mm away with relative ease and with strong overseas interest.
- Today we had TAQA announce a roadshow commencing tomorrow plus we have OMAN which is likely to come this week and who knows who else may try to squeeze in.
- Ultimately think most of the flow is new issue related highlighting expensive comparables rather than a reduction in risk appetite. Yellen last night kept an interest rate outlook alive last but would seem June is out, July might be too early and even a rate rise by September isn't a done deal. Odd for a rate rise by year end hover around 60% from almost 80% prior to Fridays NFP number.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	385.4	-7.2	-6.2	-9.6	+6.8	-24.7
Sovx CEEMEA	131.1	-2.1	-6.6	-5.8	-184.2	-52.4
Itrax Xover	319.5	-9.0	+13.4	-10.5	+5.1	+5.0

Source: Bloomberg

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	96.6	-2.9	-3.1	+0.7	+40.1	+4.0
Qatar 5Y	110.6	-2.1	+1.0	+11.7	+47.4	+18.0
Dubai 5Y	212.7	-1.3	-3.2	-8.0	+13.4	-21.0

Source: Bloomberg

Continued...

Overnight market headlines

Global News

- Fed's Yellen sees rate hikes ahead, but few hints on when; focus moves to September
- Yellen lists main risks to the US economy, but downplays all saying further gradual increases are appropriate
- Rosengren flags jobs report, yet says Fed rate hikes coming; Lockhart, Bullard shift rate-hike focus to July
- Latest Brexit polls show UK referendum on EU too close to call
- Oil holds near 10-month high as US stockpiles seen declining
- Emerging-Market assets rally as traders scale back fed rate bets; 10yr TY at 1.74%

Middle East & Africa News

- Qatar's Commercial Bank prices \$750m in a 5-year bond at MS+215bps
- Abu Dhabi's TAQA mandates banks for a potential US\$ benchmark bond offering; investor meeting starts tomorrow
- Banks said to meet Saudi Arabia officials in bid to win sovereign bond mandate
- Saudi reform program looks to increase non-oil revenue to \$141bn, cut public-sector wages & boost debt to 30% of GDP; aims rating of Aa2 by 2020
- Saudi Arabia said to tell lenders to stop lowballing bank rates; riyal forwards tumble after regulator bans speculative trades
- Dubai Islamic Bank opens 3.16 bln dirham rights issue Tuesday
- Dubai's DP World eyes expansion of Buenos Aires operations
- Dubai Duty Free sales to grow 50% by 2018, says outgoing executive
- Saudi shares rise on Monday before the release of reform details; Other Gulf markets close mixed
- Pakistan plans return to international Islamic bond market

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	17,920	+0.64%	+0.26%	+1.01%	+0.40%	+2.84%
S&P 500	2,109	+0.49%	+0.49%	+2.54%	+0.79%	+3.20%
Nasdaq Composite	4,969	+0.53%	+0.71%	+4.91%	-1.97%	-0.77%
Nikkei	16,580	-0.37%	-2.86%	+2.94%	-18.97%	-12.89%
Hang Seng	21,030	+0.40%	+1.94%	+4.58%	-22.85%	-4.03%
Shanghai	2,934	-0.16%	+3.96%	+0.72%	-41.59%	-17.10%
Mumbai Sensex	26,777	-0.24%	+0.19%	+6.14%	+0.03%	+2.53%
DAX	10,121	+0.18%	-2.05%	+2.54%	-9.61%	-5.79%
CAC 40	4,423	+0.04%	-2.34%	+2.84%	-10.11%	-4.61%
FTSE 100	6,273	+1.03%	+0.04%	+2.41%	-7.81%	+0.50%
DJ Stoxx 50	3,002	+0.15%	-2.85%	+2.22%	-14.48%	-8.13%
FTSE MIB Index	17,625	+0.74%	-3.64%	-1.22%	-22.86%	-17.71%
SMI Index	8,166	+0.22%	-1.35%	+5.56%	-10.31%	-7.40%
MENA						
Abu Dhabi - ADX	4,313	+0.41%	+1.26%	-2.60%	-5.28%	+0.14%
Dubai – DFM	3,279	-0.18%	-0.82%	-0.86%	-17.79%	+4.07%
Saudi Arabia	6,477	+1.00%	+1.84%	-2.69%	-32.45%	-6.29%
Qatar	9,639	+0.71%	+0.91%	-1.13%	-19.55%	-7.58%
Bahrain	1,116	+0.12%	+2.01%	+0.32%	-18.30%	-8.18%
Kuwait	5,383	+0.22%	+0.08%	+0.18%	-14.95%	-4.13%
Oman	5,817	-0.03%	-0.38%	-2.73%	-9.88%	+7.59%
Egypt	7,640	+1.01%	+2.51%	+1.22%	-12.48%	+9.04%
Turkey	78,593	+0.58%	+0.07%	+0.29%	-4.09%	+9.57%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	49.69	+2.20%	+0.73%	+11.26%	-15.96%	+34.15%
Brent Oil \$/bbl	50.55	+1.83%	+1.59%	+11.42%	-20.15%	+35.60%
Gold spot \$/oz	1,246	+0.14%	+3.38%	-1.56%	+6.27%	+17.30%
Silver spot \$/Troy oz	16.44	+0.15%	+2.73%	-3.32%	+2.95%	+18.45%
Alluminium 3MO \$	1,553	+0.55%	-0.22%	-2.85%	-11.29%	+3.02%
Nickel 3MO \$	8,665	+2.00%	+2.91%	-4.41%	-34.23%	-1.76%
Copper 3MO \$	4,688	+0.00%	-0.15%	-2.54%	-21.04%	-0.36%

Source: Bloomberg

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