

Daily Market Chatter (01-November-2016)

FX

G10

- The FBI's probe into Clinton's personal email has seen the USD start the week on a less than certain footing and has increased political risk for the currency accordingly. Limited action to be honest thus far but should incoming polls reveal a more material hit to her public support, there is scope for FX movement to extend, especially given the market is pricing in very little risk of Trump becoming the President. Central Banks get off the ground today, the RBA and BoJ out of the blocks holding rates as widely expected (more on that in a moment).
- Data today centres around UK and US manufacturing PMIs and the US ISM manufacturing index.
- AUD – The RBA left the cash rate at 1.5% this morning as the market's pricing widely suggested it would, with the accompanying statement also neutral and almost identical to the last meeting, judging that "holding the stance as unchanged would be consistent with sustainable growth in the economy and achieving the inflation target over time". The lack of evidence of any overt easing bias has seen the currency jump somewhat higher as a result, whilst the market noting that the RBA sees improvement in China also has leant a degree of support. 0.7650 has been retaken and danger is now for a retest of recent 0.7720-40 resistance.
- GBP – A rocky start to the week for the pound saw an initial move back through 1.2150 to test Friday's spike lows, before announcement from the BoE that Governor Carney will be staying in office until June 2019 helped the currency recover and trade back above 1.2200. The realisation that Carney will be around to help smooth a Brexit transition following vocal support from Theresa May now sees extreme positioning amongst entrenched negative sentiment meaning even less room to predict further declines for the currency, but eyes will be firmly fixed on Carney rhetoric in the light of the BoE's rate meeting on Thursday and the risks of dovish signals from the Bank are still high. 1.2325-50 remains the topside Cable resistance to consider in the event of a stop run.
- EUR – Eurozone inflation accelerated at the fastest pace in more than two years in October, but question marks over convincing underlying price pressures are still being posed and when you dig deeper into yesterday's GDP release, the core rate which excludes food and energy actually fell to the lowest in six months. With no major Eurozone data to drive the currency today, the USD will lead the EUR a merry dance, the pair likely to continue on its range trading route but in reality any unlikely further rally above 1.1020 should be deemed as a good sell as yesterday's numbers back the case for ECB QE extension in December.

- JPY – USDJPY recovered yesterday after the late fall at the end of last week on Clinton’s email news, importers and speculators taking advantage of the dip to find value around 104.20. The BoJ have kept its monetary policy unchanged this morning while delaying the projected timing for reaching its inflation goal beyond Kuroda’s term, suggesting in its inflation report that that consumer prices would not approach target until spring 2019. The only surprise is that the CB have taken so long to acknowledge what the market have thought for so long but in the meantime, the currency has settled to trade orderly around the 105.00 handle.

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.0963	-0.20%	+0.78%	-2.27%	-0.53%	+0.89%
GBP USD	1.2228	+0.35%	+0.14%	-4.87%	-20.71%	-17.01%
USD JPY	104.99	+0.24%	+0.73%	+3.41%	-13.03%	-12.65%

Source: Bloomberg

EM

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	3.0954	-0.37%	+0.38%	+2.49%	+9.55%	+6.12%
USD INR	66.780	+0.00%	-0.11%	+0.30%	+1.82%	+0.95%
USD IDR	13,048.0	-0.02%	+0.28%	+0.50%	-4.54%	-5.37%

Source: Bloomberg

G10 Rates

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.31%	-1.8	+3.3	+15.7	-21.2	-45.2
10Y	1.83%	-2.1	+6.0	+23.1	-31.7	-44.3
30Y	2.58%	-3.6	+6.3	+26.4	-34.2	-43.6

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	134.1	-2.0	+5.3	+14.3	-19.2	-38.8
10Y	169.5	-1.7	+9.5	+22.4	-40.5	-49.2
30Y	205.5	-1.7	+10.5	+26.0	-51.0	-55.8

Source: Bloomberg

Commodities Market

- Oil prices fell on Monday to 1-month lows on doubts of an OPEC producer deal, with WTI falling 3.8% to \$46.86 and Brent falling 4.1% to \$48.61. However, OPEC’s secretary general highlighted that OPEC and other major oil producers are “on course” to deliver a deal this month while sources stated that OPEC officials approved on Monday a document outlining the exporter group’s long-term strategy. According to industry sources, they agreed that it should return to its role of managing the market - which it has effectively abandoned since 2014 - and become more proactive in anticipating changes in demand and supply patterns.
- Copper prices rose slightly higher to \$48.53, supported by a rally in zinc while iron ore futures rose 2% to \$62.89. This comes despite inventories climbing 0.9% to 106.75

million metric tons, the highest since November 2014, according to data from Steelhome. China's manufacturing PMI was reported this morning to have risen to 51.2 in October, compared with a median estimate of 50.3.

MENA Fixed Income

- A quiet start to the week although we had a couple of shy buying interest in names like Saudi 26s and Oman 26s. I believe the market will continue to be quiet till next Tuesday on the back of the US elections 8th November. Should be interesting to watch!
- We were active on the COMQAT curve trading both the 17s and the 21s in decent size; we also had buyers of the KWIPKK curve mainly the 23s now after Equate Petrochemical is out of the way; had sellers of UAE Perps and North Emirates names i.e. RAKS, SHARJAH etc.
- US Equities flat, Oil had a negative day (Brent -4%) and VIX moving higher for a 5th straight day. Asia opening a touch wider
- Equate Petrochemical managed to trade well on the secondary. Both issues traded above their FPR, nothing too aggressive but in this sort of market it's a success. The 22s +0.136 & tighter by 7bps and 26s +0.35 & tighter by 10bps. On the maturities side we have \$ 650mn UNB 16s maturing in 9 days.
- For those of you holding FGB Bonds/Sukuk, the deadline is this Wednesday 2nd to give consent and get the consent fee (5c for Sukuk & 10c for Conventional).

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	356.5	+2.9	+14.2	+10.9	-35.1	-53.7
Sovx CEEMEA	89.9	-0.1	-3.1	-0.0	-68.4	-93.7
Itrax Xover	329.5	+0.2	+12.9	-6.0	+32.4	+15.0

Source: Bloomberg

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	66.5	-1.0	+0.0	-7.5	-8.0	-26.1
Qatar 5Y	88.5	-1.0	+2.0	-6.5	+12.5	-4.1
Dubai 5Y	147.7	-4.5	+1.0	-13.3	-54.1	-86.0

Source: Bloomberg

Continued...

Overnight market headlines

Global News

- US consumer spending ends third-quarter with strong momentum
- US Midwest manufacturing hits five month low
- Eurozone growth still slow, October core inflation dips
- Carney to stay at BOE until June 2019 to help address Brexit
- BOJ keeps policy unchanged even as it trims inflation forecast to 1.5% from 1.7%
- China factory gauge jumps to two-year high, services strengthen
- South Korea exports fall in October amid Samsung troubles; imports also fall sharply, inflation picks up
- Oil holds losses near 1-month low as US supplies seen rising
- Dollar near 7-month high on Dec. Fed hike bets; Asian shares mixed, while yuan heads for first back-to-back gain in six weeks on China data

Middle East & Africa News

- Saudi money rates drop after authorities move to ease liquidity
- Saudi finance minister replaced with capital markets head
- Saudi Arabia said to mull fees on internet providers
- Gulf single currency inevitable, says Oman central bank chief
- Fitch Rating says bankruptcy law may benefit UAE bank SME lending
- Bad loans in UAE 'dramatically' slowing down, says UAE Banks Federation chairman
- UAE hires Deloitte to study banking interest rates
- UAE's Ajman Bank said to raise \$230m Islamic facility
- Kuwait plans to end subsidies by 2020
- Oman's SWF buys stake in Spanish manufacturer Escibano
- Saudi telco Mobily says extends STC towers study beyond Oct. 31
- Egypt moves closer to IMF loan with China currency swap deal
- Egypt's prime minister says central bank to fix currency crisis soon; says past currency moves had negative results
- Regional shares rise as Saudi gains for ninth day on easing liquidity
- Kenya's inflation edges up to 6.47% yr/yr in Oct; World Bank sees 2016 GDP growth at 5.9%
- Nigeria central bank to auction \$500m currency forwards

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
GLOBAL						
Dow Jones Inds. Avg	18,142	-0.10%	-0.44%	-0.91%	+2.71%	+4.12%
S&P 500	2,126	-0.01%	-1.17%	-1.94%	+2.25%	+4.02%
Nasdaq Composite	5,189	-0.02%	-2.27%	-2.31%	+2.68%	+3.63%
Nikkei	17,425	-0.12%	+1.11%	+5.93%	-8.69%	-8.45%
Hang Seng	22,935	-0.09%	-2.84%	-1.56%	+1.30%	+4.66%
Shanghai	3,100	-0.12%	-0.89%	+3.19%	-8.34%	-12.40%
Mumbai Sensex	27,930	-0.04%	-0.88%	+0.23%	+4.78%	+6.94%
DAX	10,665	-0.29%	-0.89%	+1.47%	-1.71%	-0.73%
CAC 40	4,509	-0.86%	-0.95%	+1.37%	-7.93%	-2.76%
FTSE 100	6,954	-0.60%	-0.46%	+0.80%	+9.32%	+11.40%
DJ Stoxx 50	3,055	-0.78%	-1.25%	+1.77%	-10.62%	-6.50%
FTSE MIB Index	17,125	-1.15%	-1.04%	+4.41%	-23.69%	-20.05%
SMI Index	7,828	-1.02%	-2.05%	-3.82%	-12.43%	-11.23%
MENA						
Abu Dhabi - ADX	4,300	+0.32%	+0.25%	-3.93%	+0.03%	-0.16%
Dubai – DFM	3,332	+0.35%	-0.80%	-4.09%	-2.87%	+5.76%
Saudi Arabia	6,012	+0.57%	+3.72%	+6.92%	-14.67%	-13.01%
Qatar	10,173	+0.30%	-2.24%	-2.52%	-12.20%	-2.46%
Bahrain	1,149	-0.20%	+0.02%	-0.10%	-8.19%	-5.52%
Kuwait	5,401	+0.19%	+1.11%	+0.05%	-6.55%	-3.81%
Oman	5,481	-0.05%	-0.90%	-4.27%	-7.85%	+1.39%
Egypt	8,386	+0.34%	+1.92%	+6.41%	+13.13%	+19.70%
Turkey	78,536	+0.26%	-1.75%	+2.68%	-1.10%	+9.49%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	46.86	-3.78%	-7.24%	-2.86%	+0.58%	+26.51%
Brent Oil \$/bbl	48.61	-2.21%	-5.54%	-0.92%	-1.92%	+30.39%
Gold spot \$/oz	1,274	-0.13%	+0.80%	-2.85%	+12.23%	+19.92%
Silver spot \$/Troy oz	17.81	+0.31%	+1.28%	-5.70%	+15.82%	+28.37%
Alluminium 3MO \$	1,734	+0.87%	+6.35%	+3.65%	+17.28%	+15.06%
Nickel 3MO \$	10,475	+0.43%	+3.66%	-0.95%	+4.13%	+18.76%
Copper 3MO \$	4,853	+0.21%	+4.64%	-0.25%	-5.07%	+3.15%

Source: Bloomberg

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