

Daily Market Chatter (15-November-2016)

FX

G10

- The trump-inspired moves continue and the dollar remained bid across the board seeing USDCHF above 1.00 briefly, while USDJPY holding above 108.00 and EURCHF below 1.0700 for the first time since Brexit with no signs of SNB intervention. Furthermore, this week is full with central bank activity and statements, starting with ECB Constancio as he warns on protectionism and political risk after Trump victory and that the world economy faces abnormal degree of uncertainty. On the other side of the world, Fed's Kaplan thinks that the Fed will remove some amount of accommodation "in the near future" and amid all of this volatility the market seems to be pricing in a more hawkish Fed in the near-term.
- Today's data slate is packed with German GDP, French CPIs, Italian GDP, UK CPIs and PPI output, German ZEW survey, European GDP, US empire manufacturing and retail sales.
- We also have central bank speakers namely ECB Lautenschlaeger and Nowotny, BOE Carney, Shafik and Saunders, and Fed's Tarullo and Fischer.
- EUR – the single currency especially cannot shake the negativity around it as the market is locked on the Italian referendum and other political risks. The pair was smashed in the European session and bear pressure emerged, USD bid intensified while EURCHF and EURGBP slides extend, but bids around 1.0700 cushion the move a bit but the momentum to the downside is apparent at least for the time being with resistance now at 1.0850.
- GBP – the range for yesterday was 1.2450-1.2593. The proud Pound was drifting aggressively sideways, selling off in the morning of the European session then catching the bid to reverse the move, then taking a U-turn to end the day almost where it started, as if the market is torn between the hard Brexit and US inflation. None the less, the pair remains supported above 1.2440 by the means of EURGBP. One final note, is that the market is concerned with the future of the US trade negotiations between the US - UK and EU which should cap the move above 1.2700.
- JPY – one way move for USDJPY, the pair faced no issues yesterday all the way to 107.90 whilst accompanied by higher Nikkei futures and as soon as 108.00 was broken for the first time the pair jumped 15 ticks as massive orders were filled around the figure. One thing to note is the emerging exporter offers and general profit taking around 108.50 and going into this week with plenty of Fed rhetoric I would expect more take profits which will cause a minor correction.
- AUD – the pair consolidated and sidelined while the focus is elsewhere. The pair is hovering around 0.7550 but the bearish sentiment is looming around AUD with the

RBA flagging their concern over the job market and accelerating housing. Resistance now lies close to 0.7600 with support around 0.7520.

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.0749	-0.98%	-2.66%	-2.29%	+0.51%	-1.08%
GBP USD	1.2497	-0.79%	+0.76%	+2.45%	-17.85%	-15.18%
USD JPY	108.08	+1.34%	+3.51%	+4.00%	-12.26%	-10.08%

Source: Bloomberg

EM

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	3.2869	+1.17%	+3.44%	+6.07%	+13.95%	+12.68%
USD INR	67.246	+0.93%	+0.76%	+0.53%	+1.89%	+1.65%
USD IDR	13,375.0	-0.06%	+2.21%	+2.34%	-2.72%	-3.00%

Source: Bloomberg

G10 Rates

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.68%	+12.5	+39.5	+39.5	+3.0	-7.7
10Y	2.26%	+11.1	+43.5	+46.4	-0.4	-0.7
30Y	3.01%	+7.5	+40.9	+45.3	-4.0	-0.4

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	167.3	+6.6	+34.8	+40.3	+8.1	-5.7
10Y	208.2	+6.2	+39.2	+48.8	-6.3	-10.5
30Y	242.3	+4.4	+37.1	+46.8	-20.3	-19.0

Source: Bloomberg

Commodities Market

- Oil prices edged lower on Monday amid a stronger dollar, with WTI settling 0.2% lower at \$43.32 and Brent settling 0.7% lower at \$44.43. According to the US EIA drilling productivity report, December oil production is expected to fall by 20 kbpd to almost 4.5 million bpd, the lowest output since April 2014. However, after Donald Trump's election victory and OPEC's recent signal that it plans to curb production, US shale producers are said to be redeploying cash, rigs and workers, cautiously confident the energy sector has turned a corner. According to industry sources, OPEC nations embarked on a final diplomatic effort to secure a deal on oil cuts, with Qatar, Algeria and Venezuela leading the push to overcome the divide between the group's biggest producers.
- Copper prices rose 0.2% to \$5559. The head of Chile's national mining association Sonami said that the copper market will start to enter a "substantial" supply deficit from 2021, pushing prices of the industrial metal higher, while Rio Tinto is "cautiously optimistic" about the current copper market. Iron ore futures fell 3.7%.
- The soybean complex was under pressure from the sell-off in Dalian soybean meal futures (as the exchange raised margin requirements) and soybean futures amid

rumors the exchange is attempting to curb excess speculation, the sharp decline in Malaysian palm oil futures and generally favorable weather over South America added to the pressure in the soybean complex.

MENA Fixed Income

- Our market yesterday seemed to play catch up with rest of EM space with no bond or sukuk not feeling selling pressure amplified by the sell-off in USTs. Most of the selling was driven by London street from what we saw. It tended also to be concentrated in the recent new issues with likes of OMAN 26 trading lower by 2pts from Fridays close and KSA 26 down 1pt.
- Some decent size was going through at the lows in likes of KSA 46s at 90.75 even as UST were in free fall. Late last trade up at 91.50.
- Similarly KSA 26s closed about .50pt from the lows.
- Think the supply we are seeing is very much US led and the region remains better buyers for choice. We saw one real money switching out of GCC into Asia which made sense given how hard hit Asia has been last couple of sessions. Likes of MALAY & INDO 5Y has moved out 45bps from pre-election levels. ADGB, QATAR and KSA 5Y have given up only 20bps or so.
- Think overall we will have a far better tone today and find some base as the Trump effect fades and UST hit key support levels.
- First enquiries we have had are Asian buyers of GCC. Asian equities are holding and benchmark CDS seem to be 4-7bps tighter.
- EARLY MKTS:
 - KSA 21 97.55-97.80
 - KSA 26 94-94.25
 - OMAN 21 98.75-99
 - OMAN 26 96.6-97
 - BHRAIN 24 100.6-101
 - QATAR 21 98.15-98.55
 - QATAR 26 97.30-97.70

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	402.7	+33.6	+46.1	+56.4	+11.5	-7.4
Sovx CEEMEA	107.0	+9.6	+15.9	+32.0	-55.2	-76.6
Itrax Xover	349.2	-0.9	+22.5	+13.3	+37.2	+34.7

Source: Bloomberg

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	83.0	+4.0	+15.5	+17.0	+7.6	-9.6
Qatar 5Y	105.0	+4.0	+15.5	+16.0	+28.8	+12.4
Dubai 5Y	175.0	+18.5	+24.2	+29.0	-27.3	-58.7

Source: Bloomberg

Overnight market headlines

Global News

- ECB warns on protectionism and political risk after Trump victory; world economy faces abnormal degree of uncertainty, says Constâncio
- RBA grapples with uncertain job market, accelerating housing; says global inflation risks are 'more balanced' than for some time
- Renminbi trading band set at weakest level since 2008; Emerging-market currencies halt selloff off after nearing seven year low
- Global bond selloff abates after wiping out \$1.5tn since Trump win; 10yr TY at 2.21%; Odds of Dec. Fed hike jump to 92%
- Oil rebounds from 8-week low on falling shale output and renewed hopes of OPEC cut

Middle East & Africa News

- UAE's economic growth to improve in 2017, says central bank chief; says central bank had lending facilities which banks could use if they needed liquidity
- Saudi GDP to grow 1.8% this year, says central bank; hopes money rates to keep falling
- Saudi wealth fund PIF said to explore asset sales for overseas deals as it plans to increase foreign investments to 50% by 2020
- Bank of Sharjah weighs \$500m bond sale in 2017
- Bahrain's Gulf International Bank requests proposals for dollar bond issue
- Dubai investment company GGICO restructuring \$643m of debt
- UAE-Singapore JV plan aluminium products plant in Abu Dhabi
- Dubai World Central traffic soars 161% in Q3
- Egypt, Saudi hit by profit-taking, Gulf down with emerging markets
- Obama predicts Trump won't scrap Iran nuclear deal as president
- Nigerian inflation rises to 18.3% in October, an 11-year high

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Continued...

Key data points – Global

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	18,869	+0.11%	+3.34%	+4.03%	+9.41%	+8.28%
S&P 500	2,164	-0.01%	+1.53%	+1.46%	+6.98%	+5.88%
Nasdaq Composite	5,218	-0.36%	+1.01%	+0.08%	+5.90%	+4.21%
Nikkei	17,673	+1.71%	+2.88%	+4.84%	-9.82%	-7.15%
Hang Seng	22,222	-1.37%	-2.54%	-4.35%	-0.78%	+1.40%
Shanghai	3,210	+0.45%	+2.46%	+4.78%	-10.35%	-9.29%
Mumbai Sensex	26,819	-2.54%	-2.33%	-3.09%	+4.72%	+2.69%
DAX	10,694	+0.24%	+2.26%	+1.07%	-0.14%	-0.46%
CAC 40	4,509	+0.43%	+1.06%	+0.84%	-6.23%	-2.77%
FTSE 100	6,753	+0.34%	-0.79%	-3.71%	+10.38%	+8.18%
DJ Stoxx 50	3,040	+0.32%	+1.01%	+0.48%	-9.55%	-6.97%
FTSE MIB Index	16,686	-0.75%	-0.30%	+0.57%	-23.61%	-22.09%
SMI Index	7,897	+0.21%	+2.09%	-2.39%	-9.75%	-10.45%
MENA						
Abu Dhabi - ADX	4,185	-1.19%	-2.40%	-3.73%	+2.16%	-2.83%
Dubai – DFM	3,203	-0.93%	-2.38%	-3.96%	+1.80%	+1.65%
Saudi Arabia	6,631	-0.48%	+6.99%	+16.46%	-3.64%	-4.06%
Qatar	9,745	-1.28%	-2.20%	-6.21%	-10.27%	-6.56%
Bahrain	1,161	-0.09%	+1.03%	+1.45%	-4.92%	-4.50%
Kuwait	5,469	-0.21%	+0.48%	+2.65%	-4.05%	-2.60%
Oman	5,417	-0.00%	-0.76%	-4.30%	-7.21%	+0.20%
Egypt	10,694	+0.06%	+8.54%	+25.74%	+63.97%	+52.65%
Turkey	74,419	-1.00%	-1.67%	-4.04%	-9.11%	+3.75%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	43.32	-0.21%	-3.50%	-13.96%	+6.33%	+16.95%
Brent Oil \$/bbl	44.43	-0.72%	-3.73%	-14.48%	+1.88%	+19.18%
Gold spot \$/oz	1,227	-0.06%	-4.32%	-2.33%	+13.05%	+15.51%
Silver spot \$/Troy oz	16.89	-2.73%	-7.14%	-3.25%	+18.44%	+21.74%
Alluminium 3MO \$	1,735	-0.57%	+0.46%	+3.58%	+16.36%	+15.13%
Nickel 3MO \$	11,260	+0.45%	+1.17%	+7.39%	+19.47%	+27.66%
Copper 3MO \$	5,559	+0.18%	+9.04%	+18.90%	+15.21%	+18.15%

Source: Bloomberg

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