

Daily Market Chatter (18-October-2016)

G10 Rates

- It seems that the FED is not as united in opinion as they would like us to believe if Fischer's comments yesterday are anything to go by. He directly refuted Yellen's comments on Friday where she stated that allowing the economy to overheat might be beneficial. Fischer believes that just leads to higher inflation, can't really disagree with him but it does suggest that there is division within the group. Big miss from Empire Manufacturing saw TY rally and we've opened this morning in a fairly sideways range. The curve had another steepening move yesterday and 2s10s hit the heady heights of 58 before closing back around 54.75. I do think some of this move is being supported by Trump falling further behind in the election race. Michelle Obama made a brilliant speech about what we should expect from our leaders (<https://www.theguardian.com/us-news/2016/oct/14/michelle-obama-speech-transcript-donald-trump>); and she's right, we should hold them to a higher standard. I don't think the Trumps or the Clintons truly fit the bill. US CPI to follow this afternoon 16.30.
- NZD CPI came in a little better than expected but probably not enough to stop a further rate cut next month. Look out for the milk auction results later.
- UK is probably the most interesting today in terms of data with the all-important inflation set with RPI the favoured measure. The curve has pretty much priced out all chances of a hike by the end of the year with December now less than 15%. Looks to me like its gone too far and March above 19.5 looks like a good place to receive (you're capped at 21 on the fix unless you think the MPC is going to raise rates anytime soon...)

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.25%	-3.3	-0.1	+5.6	-9.8	-50.5
10Y	1.77%	-3.2	+4.8	+7.3	-26.7	-50.3
30Y	2.52%	-3.7	+7.1	+7.6	-36.0	-49.4

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	127.1	-0.2	-5.6	+5.4	-10.9	-45.9
10Y	159.4	+0.2	-2.9	+7.5	-40.8	-59.3
30Y	195.5	+0.8	+5.7	+7.6	-58.4	-65.8

Source: Bloomberg

FX

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1001	+0.26%	-1.28%	-1.57%	-2.84%	+1.24%
GBP USD	1.2198	+0.06%	-1.48%	-6.51%	-21.17%	-17.21%
USD JPY	103.92	-0.25%	+0.17%	+2.14%	-13.01%	-13.54%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	3,0989	+0.28%	+0.87%	+4.04%	+6.83%	+6.24%
USD INR	66.890	+0.26%	+0.54%	-0.12%	+3.22%	+1.11%
USD IDR	13,069.0	+0.28%	+0.71%	-0.63%	-3.31%	-5.21%

Source: Bloomberg

Commodities Market

- Oil prices fell on Monday, with WTI and Brent settling 0.8% lower at \$49.94 and \$51.52 respectively. Iran became the third nation, after Iraq and Venezuela, to openly question OPEC's output estimates, which could hinder progress on an output agreement between OPEC nations and Russia. Nigeria's oil minister says that Nigeria expects its oil production to increase 22% to 2.2 mln bpd from current levels, adding that he hoped a force majeure on all its oil fields would be lifted by December or January. The US EIA's drilling productivity report showed that November shale production was expected to fall by 30 kbpd to 4.43 mln bpd, the lowest output since March 2014.
- Copper prices closed unchanged at \$4675 while iron ore futures rose 1.1% to \$56.54. Shanghai rebar futures also rose 2% on a rally in raw material costs which include coking coal and coke.

MENA Fixed Income

- MENA continues to perform well into the long awaited KSA issue due Wednesday. Saudi 5Y has tightened since the start of the month 25bps from 170 to 144. ADGB and Qatar over the same period are in about 6-7bps.
- Think ultimately this deal will go well largely due to the Xover and IG investors which reportedly were spilling out of the investor presentations.
- It will probably add a kicker to the whole region as new deep pocket investors take note of the relatively well rated issues with attractive returns.
- We saw Bahrain and Oman break out of their current range with strong demand seen for the Bahrain 2024 Sukuk from Islamic accounts. The big recent new issue underperformer has been OMAN 10Y but in the last two sessions has moved a good 0.75pt higher on renewed investor demand.
- Yes the likes of ADGB and Qatar Sov for the moment seem to be underperforming the rest of the space as investors make room for KSA, but this should correct once the deal is done.
- We saw good two way in SECO but think now levels are rich with spreads tightening into 3mth lows.
- Kingdom of Jordan announced intention to issue a USD 10Y and 30Y with roadshows commencing on Wednesday.
- Asia has opened up flat with a fair amount of new supply.

- Expect more accounts making room for the KSA issue tomorrow but the overall market tone to remain strong.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	353.9	+7.6	+14.2	-7.0	-42.2	-56.2
Sovx CEEMEA	95.0	+1.9	+3.9	-5.4	-71.5	-88.6
Itrax Xover	335.9	+2.6	+5.4	+10.4	+10.5	+21.4

Source: Bloomberg

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	66.0	-1.6	-2.3	+6.0	-4.2	-26.6
Qatar 5Y	89.0	+0.4	-0.3	+9.0	+19.9	-3.6
Dubai 5Y	146.0	-3.3	-13.0	+4.0	-41.4	-87.7

Source: Bloomberg

Continued...

Overnight market headlines

Global News

- US factory production rises for third time in four months, but Empire State manufacturing survey falls further into negative territory
- Fed's Fischer says 'very close' to employment, inflation goals
- Boston Fed's Rosengren maps case for a dove's rate hike
- RBA sees reasonable growth prospects as mining headwinds ebb
- Asian stocks rise with oil as dollar retreats on mixed US data

Middle East & Africa News

- Saudi initial bond terms may be issued as early as Tuesday
- Kuwait bond sale plan still on track after parliament dissolved
- Qatar central bank offers QAR 3bn bonds in third riyal sale of 2016
- S&P says GCC funding needs could reach \$560bn between 2015-2019; says impact on Abu Dhabi and Qatar's net asset positions will be moderate
- S&P gets licence in Saudi corporate debt push as the Kingdom seeks to develop a market in corporate bonds
- Moody's says reduced project pipeline and rising indebtedness in the Saudi construction sector pose risks for banks
- Saudi Arabia plans to overhaul its bankruptcy laws
- Saudi Hollandi Bank Q3 net profit slumps 46.7% as bad loans weigh
- Saudi shipper Bahri sees Q3 net profit slump by 37%
- Zain Saudi sees losses widen in Q3 as revenue drops
- Saudi Arabia's Tasnee said to suspend payment on \$1bn loan
- Dubai's Emirates NBD reports 1% drop in Q3 net profit
- UAE's Union National Bank Q3 profit falls 15%
- Sharjah Islamic Bank 9-month net profits up 12.5%
- National Bank of Kuwait Q3 net profit rises 6.4%
- Qatar's Nakilat reports flat Q3 profit at \$205m
- Turkey's Isbank raises \$600m from a 5.5-year bond offering priced at a yield of 5.5%
- Jordan hires Citigroup and JP Morgan for US dollar bonds
- Saudi shares hit by Q3 earnings, most of region weak

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	18,086	-0.29%	-1.32%	-0.21%	+5.06%	+3.80%
S&P 500	2,127	-0.30%	-1.72%	-0.59%	+4.59%	+4.04%
Nasdaq Composite	5,200	-0.27%	-2.42%	-0.85%	+6.41%	+3.84%
Nikkei	16,900	+0.26%	+0.24%	+2.31%	-7.61%	-11.21%
Hang Seng	23,038	-0.84%	-3.41%	-1.28%	-0.13%	+5.13%
Shanghai	3,041	-0.74%	-0.23%	+1.28%	-10.33%	-14.07%
Mumbai Sensex	27,530	-0.52%	-1.97%	-3.74%	+1.16%	+5.41%
DAX	10,504	-0.73%	-1.13%	+2.21%	+3.95%	-2.23%
CAC 40	4,450	-0.46%	-1.05%	+2.72%	-5.37%	-4.03%
FTSE 100	6,948	-0.94%	-2.11%	+3.54%	+8.93%	+11.30%
DJ Stoxx 50	3,009	-0.54%	-0.89%	+2.50%	-7.85%	-7.92%
FTSE MIB Index	16,630	+0.23%	-0.01%	+2.71%	-25.55%	-22.35%
SMI Index	8,001	-1.10%	-2.10%	-1.59%	-8.20%	-9.27%
MENA						
Abu Dhabi - ADX	4,220	-2.21%	-3.80%	-5.93%	-7.51%	-2.02%
Dubai – DFM	3,272	-0.89%	-2.57%	-6.06%	-11.74%	+3.85%
Saudi Arabia	5,565	-1.21%	-0.17%	-8.17%	-28.59%	-19.49%
Qatar	10,426	+0.56%	+0.20%	-1.39%	-11.35%	-0.03%
Bahrain	1,138	-0.30%	+0.04%	+0.81%	-8.92%	-6.45%
Kuwait	5,287	-0.42%	-0.15%	-2.57%	-8.36%	-5.84%
Oman	5,581	-1.24%	-1.85%	-3.43%	-5.80%	+3.23%
Egypt	8,243	-2.24%	-1.44%	+4.13%	+9.35%	+17.66%
Turkey	77,438	-0.15%	-0.51%	+1.86%	-1.33%	+7.96%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	49.94	-0.81%	-2.75%	+16.06%	+5.67%	+34.83%
Brent Oil \$/bbl	51.52	-0.83%	-3.05%	+12.56%	+2.10%	+38.20%
Gold spot \$/oz	1,256	+0.41%	-0.14%	-4.40%	+7.18%	+18.27%
Silver spot \$/Troy oz	17.46	+0.23%	-0.99%	-9.29%	+10.07%	+25.83%
Alluminium 3MO \$	1,661	-0.87%	-1.77%	+5.40%	+5.60%	+10.19%
Nickel 3MO \$	10,290	-1.86%	-2.19%	+5.81%	-2.83%	+16.67%
Copper 3MO \$	4,675	+0.00%	-3.58%	-2.36%	-11.54%	-0.64%

Source: Bloomberg

NBAD Global Markets

Contact details

G10 FX & Rates

Craig Tredgett

Craig.Tredgett@nbad.com

Alison Higgins

Alison.Higgins@nbad.com

G10 FX Spot

Phil Muldoon

Phil.Muldoon@nbad.com

Nourah Al Zahmi

Nourah.Alzahmi@nbad.com

MENA Fixed Income

Matthew Locke

Matthew.Locke@nbad.com

Market Insights & Strategy

Chavan Bhogaita

Chavan.Bhogaita@nbad.com

NBAD Global Markets

Tel: 00971 2611 0111

Disclaimer:

To the fullest extent allowed by applicable laws and regulations, National Bank of Abu Dhabi PJSC (the "Bank") and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an "as is" and "as available" basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.

EM FX & Rates

Husain Askar

Husain.Askar@nbad.com

Ahmed ElAlami

Ahmed.ElAlami@nbad.com

Non-Linear Rate & Derivatives

Hein Van Der Wielen

Hein.Wielen@nbad.com

Vijesh Peris

Vijesh.Peris@nbad.com

Mohamed Bouzoubaa

Mohamed.Bouzoubaa@nbad.com

Naoufal Alami

Naoufal.Alami@nbad.com