

Daily Market Chatter (14-September-2016)

FX

G10

- Following Brainard's unambiguous dovishness on Monday evening, markets sense that a Fed rate hike on Sept 21st is now very much a long shot, despite Jackson Hole steering to the contrary, and yet the USD has held and in some cases surged against the G10 bloc as tumbling oil sends Wall Street into a slide, causing a spike in risk aversion into the bargain. Indeed, the impetus is being placed on Yellen giving a clearer sense of monetary policy direction at next week's FOMC as Fed hawks and doves appear evenly split.
- We enter the business end of week data-wise today, with French CBI, UK labour data, Eurozone Industrial Production and US weekly mortgage applications all on the radar.
- JPY – USDJPY has pushed back towards 103.00 despite an uptick in risk, along with the rise in US yields and steepening of the JGB curve amid reports that the BoJ is studying several options to steepen it. With the CB planning to make its controversial negative interest rate policy the centrepiece of future monetary easing, there are considerations that the current -0.1% depo rate could be taken further into negative territory as the Japanese economy remains weak and prices face further downward pressure. Indeed with the Fed broadly expected to now stay pat on rates next week, bigger focus may now fall on the BoJ. Expect exporters to remain interested should JPY fall further towards 105.00.
- AUD – consumer confidence edged marginally higher in September as rising asset prices, lower rates and a relatively stable and resilient employment set up appear to lend some support. Hard data such as retail sales paints a slightly different picture however, and the currency is being affected inversely by this week's deterioration in risk appetite, as a broad USD bid takes hold and commodities slump. Recent moves above 0.7700 now seem a distant memory and with ingrained negativity beginning to take hold once more, bears will be buoyed by the last 24 hours and keep faith that a test of 0.7300 is on the cards.
- GBP – the pound has had a sticky week thus far, lingering Brexit concerns remaining a significant negative for the currency, as Carney fends off critics of his Brexit stimulus. Slightly weaker CPI data from the UK yesterday vs expectation although YoY inflation held at 0.6%. Cable caught an offer after that, with macro accounts notably and avidly selling near 1.3320. A break of 1.3250 as USD rose broadly helped further erosion of the pair and with the employment report released today and UK retail sales and the BoE meeting on Thursday, the prospects for an even more tricky week for the pound are gathering pace. Indeed, despite receding US September hike

expectations being GBP supportive, any hardening of policy response to Brexit from the EU on Friday could put further skids under the currency. A strong sell GBP rally mentality persists.

- EUR – quiet times for the single currency, in a broad and well-worn range of 1.10-1.14 although the fact that yesterday's release of German ZEW investor sentiment was unchanged in September despite recent easing fears about the effects of Brexit, appears to suggest that underlying growth in the German economy is set to slow, and could favour downside pressure for the EUR should momentum gather pace. Bears seem comfortable while topside 1.1320-40 area remains untested with a preference for an attempt at 1.1120 but clearly fortunes for Fed movement next week will mean the USD side of the equation is more likely to get proceedings moving.

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1235	-0.01%	-0.05%	+0.48%	-0.74%	+3.40%
GBP USD	1.3199	-0.92%	-1.66%	+2.52%	-14.44%	-10.42%
USD JPY	102.20	+0.28%	+0.05%	+0.96%	-14.83%	-14.98%

Source: Bloomberg

EM

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	2.9849	+0.31%	+2.04%	+1.38%	-2.39%	+2.33%
USD INR	66.924	+0.00%	+0.60%	+0.11%	+0.90%	+1.16%
USD IDR	13,168.0	-0.51%	+0.31%	+0.60%	-8.13%	-4.50%

Source: Bloomberg

G10 Rates

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.25%	+4.9	+12.8	+14.8	-26.4	-51.3
10Y	1.73%	+6.4	+19.3	+21.4	-45.6	-54.1
30Y	2.46%	+7.3	+24.0	+23.2	-49.2	-55.2

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	125.3	+0.9	+11.9	+12.0	-31.2	-47.6
10Y	156.4	+3.4	+17.1	+14.4	-64.2	-62.3
30Y	190.6	+5.3	+21.3	+14.0	-78.5	-70.6

Source: Bloomberg

Commodities Market

- Oil sold off sharply to reach the 50-day MA on Tuesday amid a rally in the US dollar, with WTI falling 3% to \$44.90 and Brent falling 2.5% to \$47.10. The IEA said a sharp slowdown in oil demand growth, coupled with ballooning inventories and rising supply, means the market will be oversupplied at least through the first half of 2017. IEA trimmed global oil demand growth projections for next year by 200 kbpd to 1.2 mln bpd, estimating consumption at 97.3 mln bpd. Meanwhile, Libya's National Oil Corporation said on Tuesday it would immediately start working to resume crude

exports from ports seized in recent days by forces loyal to eastern commander Khalifa Haftar. API reported post-settlement that US crude stockpiles rose by 1.44 mln bbls last week.

- Copper prices were stable at \$4650 while iron ore futures fell 0.6% to \$51.55. This comes despite China's industrial output rising more than expected by 6.3% in August from a year earlier.
- Grain prices fell by more than 2% on USDA's larger than expected estimates for US corn and soybean production and carryout and on better than expected US corn and soybean crop ratings.

MENA Fixed Income

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	347.9	-1.4	-0.2	-3.7	-69.6	-62.2
Sovx CEEMEA	106.3	+0.5	+2.2	-6.5	-161.8	-77.3
Itrax Xover	334.9	+9.1	+27.2	+30.4	+3.7	+20.4

Source: Bloomberg

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	70.2	-1.8	+0.6	-5.3	+7.8	-22.4
Qatar 5Y	90.8	-2.8	+1.7	-6.7	+28.0	-1.8
Dubai 5Y	154.6	-2.2	+0.1	-5.4	-40.4	-79.1

Source: Bloomberg

Continued...

Overnight market headlines

Global News

- Divided Federal Reserve scrambles message on interest rates as Brainard becomes the last speaker before Sept. meeting to warn on a rate hike
- Eurozone employment rises to highest level since 2008; British inflation surprisingly holds steady in August
- BOJ to explore delving deeper into negative rates
- Brent oil trades near lowest in week as IEA sees glut persisting
- Asian stocks extend global slide amid stimulus angst as volatility measures soar; Global yields highest since June, cash levels near 15-year high

Middle East & Africa News

- State Bank of India, acting through its Dubai Branch, markets a US\$ AT1 perpetual bond with IPT set at 'Mid 5%'s'; pricing expected today
- S&P releases evaluation tool for green bonds as Middle East looks forward to its first green bond
- Saudi Arabia ousts US as biggest oil producer, IEA says
- Fitch affirms Iraq at 'B-'; outlook negative
- Syria truce largely holds; Saudi Arabia welcomes ceasefire agreement
- Kenya treasury secretary to meet prospective eurobond buyers
- Kenyan central bank sets CBR as the base rate for loan charges

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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	18,067	-1.41%	-2.54%	-2.74%	+10.36%	+3.68%
S&P 500	2,127	-1.48%	-2.72%	-2.61%	+8.91%	+4.06%
Nasdaq Composite	5,155	-1.09%	-2.29%	-1.48%	+7.27%	+2.95%
Nikkei	16,729	+0.34%	-2.07%	-1.13%	-6.88%	-12.11%
Hang Seng	23,216	-0.32%	-2.40%	+1.97%	+7.67%	+5.94%
Shanghai	3,024	+0.05%	-2.17%	-0.89%	-2.93%	-14.57%
Mumbai Sensex	28,354	-1.54%	-2.16%	+0.71%	+10.71%	+8.56%
DAX	10,387	-0.43%	-2.81%	-3.05%	+2.52%	-3.32%
CAC 40	4,387	-1.19%	-3.15%	-2.51%	-2.90%	-5.39%
FTSE 100	6,666	-0.53%	-2.35%	-3.62%	+9.55%	+6.78%
DJ Stoxx 50	2,975	-1.26%	-3.11%	-2.30%	-6.32%	-8.96%
FTSE MIB Index	16,548	-1.74%	-2.96%	-2.65%	-23.23%	-22.74%
SMI Index	8,175	-0.38%	-1.56%	-1.45%	-5.89%	-7.30%
MENA						
Abu Dhabi - ADX	4,516	+0.20%	+0.80%	-0.38%	+0.33%	+4.86%
Dubai – DFM	3,519	+0.04%	+0.21%	-0.08%	-2.94%	+11.69%
Saudi Arabia	6,177	+0.61%	+2.57%	-3.21%	-20.29%	-10.64%
Qatar	10,534	-0.95%	-2.79%	-3.52%	-9.65%	+1.00%
Bahrain	1,120	-0.70%	-1.83%	-3.14%	-13.23%	-7.88%
Kuwait	5,429	+0.30%	+0.37%	-1.43%	-6.52%	-3.31%
Oman	5,778	-0.09%	+1.11%	-2.02%	-0.44%	+6.87%
Egypt	8,188	+0.52%	+0.64%	-0.14%	+16.14%	+16.87%
Turkey	77,054	-1.01%	+0.22%	-1.50%	+7.99%	+7.43%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	44.90	-3.00%	+0.16%	+0.92%	+2.05%	+21.22%
Brent Oil \$/bbl	47.10	-2.52%	-0.34%	+0.28%	+1.57%	+26.34%
Gold spot \$/oz	1,323	+0.09%	-1.74%	-1.37%	+19.20%	+24.56%
Silver spot \$/Troy oz	18.89	+0.16%	-5.32%	-4.87%	+30.97%	+36.10%
Alluminium 3MO \$	1,565	-0.19%	-1.51%	-5.44%	-4.57%	+3.85%
Nickel 3MO \$	9,860	-2.18%	-2.47%	-4.32%	-4.27%	+11.79%
Copper 3MO \$	4,650	+0.04%	+0.65%	-2.33%	-13.41%	-1.17%

Source: Bloomberg

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