

Daily Market Chatter

G10 FX

- It was a slow start to the week as players reeled from Friday's mixed payrolls data and wages disappointment on the one hand but ongoing hawkish Fed speak from the likes of Williams and Evans on the other. Markets were not particularly sure how to play it and therefore some quiet consolidation was seen, USD making headway by default against a weak pound as Brexit angst weighed and EUR as political risks start to re-emerge ahead of the French election and amid fresh warnings over high debt levels in Greece, and Draghi stands by ready to deploy more QE if necessary. Not the case vs a buoyant JPY though where the Japanese currency pushes through 112.00 as overall risk sentiment is hit. Expect more to-ing and fro-ing today.
- The data slate today includes German Industrial Production, UK Halifax House Prices and US Trade numbers for December.
- EUR – The single currency was under pressure yesterday as politics looks to take centre stage and Draghi expresses concern over the US administration's stance on trade and potential announcements of protectionist measures. Comment that no policy tightening from the ECB was in the pipeline, presumably in the form of tapering, as growth is still weak and faced with downside risks, finally saw EUR support from leveraged accounts give way through 1.0725, although there has been little further downside traction thus far. The USD is struggling to make headway as the market deems the next rate hike in the US to be more likely mid-year while the Trump effect of ongoing policy uncertainty helps keep the greenback in check and therefore, an orderly EURUSD decline looks the most likely.
- AUD – The RBA remained on hold at 1.5% this morning as was widely expected, the main takeaways from the accompanying statement being that inflation forecasts are largely unchanged and the CB acknowledge that despite the unemployment rate moving a little higher recently, growth in full-time employment has turned positive in late 2016. Little on the currency though, the RBA seemingly not ready to acknowledge that the exchange rate has been appreciating since mid-2016 and this nonchalance and absence of any hinting bias has put AUD on the front foot for the time being, reversing an initial dip to 0.7630 to trade to 0.7675 as we speak.
- GBP – According to a survey of the UK's largest companies, more than half believe that Brexit has already damaged businesses before PM Theresa May triggers the event, a stark reality of the problems she has to contend with in the very near future. The pound traded soggly yesterday, weak into the London fix although it did find a degree of support at 1.2425 and has benefitted somewhat from USD sales elsewhere. Meanwhile, something of a rangy market continues to be played out, the desire to buy dips as strong as the wish to sell GBP outperformance.
- JPY – Gains in the JPY have bucked USD sentiment elsewhere, as weekly foreign bond sales drive JPY demand and stops are tripped through 112.00 with a further test of 111.60. Markets appear to be gravitating towards the JPY safe haven trade, Asian equities falling in tandem as political uncertainty infects global markets. Longer term USDJPY will now be reassessing their preference for a retake of 115.00 and with the Japanese currency on the up again, the timing of Abe's meeting with Trump this Friday brings some added spice, given recent currency manipulation accusations.

07 February 2017**Chavan Bhogaita**
Head of Market Insights & Strategy**Rakesh Sahu**
Analyst

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	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.0735	-0.45%	+0.39%	+1.55%	-3.85%	+2.07%
GBP USD	1.2471	-0.10%	-0.06%	+2.48%	-13.49%	+1.06%
USD JPY	112.07	-0.48%	-1.35%	-3.53%	-3.09%	-4.18%

Source: Bloomberg

EM FX

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	3.6860	-0.29%	-2.56%	-0.81%	+25.08%	+4.61%
USD INR	67.219	-0.14%	-1.07%	-1.45%	-1.06%	-1.04%
USD IDR	13,320.0	-0.17%	-0.22%	-0.31%	-2.04%	-1.14%

Source: Bloomberg

G10 Rates

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.85%	-6.4	-10.4	-7.9	+60.5	-8.1
10Y	2.41%	-5.7	-8.0	-1.2	+57.2	-3.6
30Y	3.05%	-4.3	-3.1	+3.9	+37.9	-1.7

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	194.6	-3.0	-6.2	+2.0	+78.4	-1.3
10Y	234.7	-3.0	-4.2	+9.3	+66.2	+2.8
30Y	265.4	-2.3	-0.9	+16.7	+49.0	+8.4

Source: Bloomberg

Commodities Market

- Oil prices fell overnight, with WTI settling 1.5% lower at \$53.01 and Brent settling 1.9% lower at \$56.81.
- Copper prices rose 1.3% to \$5772. Hedge funds and money managers increased their net long position in COMEX copper contracts to a record high level in the week to Jan. 31. Nickel also rose 2.2% to \$10450 as Philippine Environment and Natural Resources Secretary Regina Lopez said on Monday that she will not reconsider her decision to shut down 23 of the country's 41 mines, adding that the Southeast Asian nation is "unfit for mining". Iron ore futures fell 1.6% to \$76.75.
- Soybean futures rose 0.9% to \$10.36 on the rally in China's soybean and soybean meal futures. However, a major rain event over Argentine and Brazilian growing areas that was beneficial for the crop limited further gains.

MENA Fixed Income

- Monday was another busy day on our side mainly in Dubai and Qatar Sov curves. Market in general was well bid on the back of USTs move higher and lack of new issues especially in the Sov/IG space. We were busy in the whole DUGB curve and Qatar 20s/26s all in decent size. We also traded KSA 26s in good size and had decent 2 way flow on the name most of the day.
- MAF 17s (BBB S&P/ BBB Fitch) 400mio Sukuk maturing today and no news of a new issue so far. On the New Issues side DIB is expected to launch today and the curve have been holding well the past couple of days although think the 20s look a bit rich compared to the 21s. On the news side Saudi Aramco is said to hire banks for a riyal bond and a dollar denominated bond might come later.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	336.3	+2.9	-12.5	-12.0	-113.1	-26.9
Sovx CEEMEA	69.4	-2.6	-6.5	-8.6	-125.9	-10.2
Itrax Xover	296.3	+5.9	-3.1	+6.8	-160.3	+8.3

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	55.4	+0.3	-2.8	-2.9	-69.6	-6.1
Qatar 5Y	77.0	-0.1	-6.1	-1.2	-51.1	-3.3
Dubai 5Y	132.3	-4.7	-6.9	-8.1	-119.1	-17.5

Source: Bloomberg

Overnight market headlines

Global News

- Fed's Harker says March 'should be considered' for next rate hike
- UK business says Brexit already having a negative effect
- German factory orders surge most since 2014 on investment; latest eurozone data highlight strength of bloc
- ECB president Draghi raises concerns over Dodd-Frank and denies EU sought weak euro; says no to policy tightening
- Treasuries rise following European debt on French election risk; Yen climbs on haven demand; Asian stocks fall; Oil trades near \$53 after falling 1.5% on Monday

Middle East & Africa News

- Saudi Aramco said to hire banks for debut riyal bond ahead of IPO; could issue dollar-denominated bonds later
- Singapore said to plan slew of incentives to lure Aramco listing; State investment companies could be invited to join IPO
- Dubai's Emaar to recover \$332m for hotel fire insurance claim
- DFM reports 3% drop in 2016 net profit, but Q4 net profit soars 406% as revenue jumped 89%
- UAE stock markets outperform in an otherwise flat Gulf; Egypt dips
- Foreigners bought \$250m in Egyptian T-bills, equities in a day
- Nigeria's economic plan targets GDP growth of 7% by 2020 as economy contracts in 2016
- Nigeria central bank says foreign reserves at one-year high, but naira falls to record low of 500 on black market

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Key data points – Global

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	20,052	-0.09%	+0.41%	+0.44%	+23.74%	+1.47%
S&P 500	2,293	-0.21%	+0.51%	+0.68%	+21.94%	+2.40%
Nasdaq Composite	5,664	-0.06%	+0.89%	+2.58%	+29.80%	+5.21%
Nikkei	18,977	+0.31%	-2.02%	-2.46%	+12.83%	-0.72%
Hang Seng	23,348	+0.95%	-0.05%	+3.76%	+21.05%	+6.13%
Shanghai	3,157	+0.54%	+1.08%	+0.08%	+14.24%	+1.72%
Mumbai Sensex	28,439	+0.70%	+2.12%	+6.28%	+15.53%	+6.81%
DAX	11,510	-1.22%	-1.47%	-0.77%	+23.95%	+0.25%
CAC 40	4,778	-0.98%	-0.14%	-2.68%	+13.75%	-1.73%
FTSE 100	7,172	-0.22%	+0.75%	-0.53%	+22.64%	+0.41%
DJ Stoxx 50	3,238	-1.06%	-0.75%	-2.49%	+12.47%	-1.59%
FTSE MIB Index	18,694	-2.21%	-0.35%	-5.05%	+8.37%	-2.81%
SMI Index	8,331	-0.24%	+0.12%	-1.03%	+4.66%	+1.35%
MENA						
Abu Dhabi - ADX	4,522	+0.70%	-1.51%	-1.75%	+10.19%	-0.55%
Dubai – DFM	3,691	+1.19%	+0.34%	+1.75%	+21.53%	+4.54%
Saudi Arabia	7,062	+0.23%	-0.98%	-1.89%	+19.79%	-2.05%
Qatar	10,610	+0.13%	-1.29%	-1.00%	+10.28%	+1.66%
Bahrain	1,301	-0.10%	-0.24%	+7.83%	+10.54%	+6.59%
Kuwait	6,702	+0.22%	-2.01%	+14.93%	+28.71%	+16.59%
Oman	5,815	+0.11%	+1.10%	+0.38%	+9.74%	+0.55%
Egypt	12,849	-0.26%	-0.59%	+0.20%	+109.74%	+4.09%
Turkey	87,358	-1.17%	+1.30%	+13.29%	+17.73%	+11.80%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	53.01	-1.52%	+0.72%	-1.82%	+71.61%	-1.32%
Brent Oil \$/bbl	55.72	-1.92%	+0.89%	-2.42%	+63.59%	-1.94%
Gold spot \$/oz	1,231	+6.47%	+2.80%	+4.05%	+2.97%	+7.26%
Silver spot \$/Troy oz	17.70	+9.67%	+3.40%	+6.46%	+15.35%	+11.13%
Alluminium 3MO \$	1,835	+0.00%	+1.80%	+7.09%	+22.38%	+8.36%
Nickel 3MO \$	10,450	+2.20%	+7.95%	+2.00%	+28.06%	+4.29%
Copper 3MO \$	5,846	+1.28%	+0.45%	+4.58%	+26.26%	+5.61%

Source: Bloomberg

NBAD Global Markets

Contact details

G10 FX & Rates

Craig Tredgett

Craig.Tredgett@nbad.com

Alison Higgins

Alison.Higgins@nbad.com

Nourah Al Zahmi

Nourah.Alzahmi@nbad.com

G10 FX Spot

Phil Muldoon

Phil.Muldoon@nbad.com

MENA Fixed Income

Matthew Locke

Matthew.Locke@nbad.com

Market Insights & Strategy

Chavan Bhogaita

Chavan.Bhogaita@nbad.com

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

NBAD Global Markets

Tel: 00971 2611 0111

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