

Daily Market Chatter

G10 FX

- Yesterday, the market shrugged off the weaker US wage data and turned its focus back to Fed hawkish comments, namely Williams and Harker that the March is live if the job market holds up and growth continues, which translated into a solid dollar rebound across the board. Then the NY session saw a minor recovery, with the exception of Cable that had an impressive rally of the lows on the back of comments from BOE Forbes.
- Today's data slate is fairly light and only carries US MBA mortgage approvals and Canadian housing starts. On the central bank front we will hear from BOE Cunliffe later today.
- EUR – the single currency tumbled in the early European session, slipping to a low of 1.0656. Then EUR climbed its way to 1.0700, as Bundesbank president and ECB Weidmann went on the defensive side and responded to Navarro's comments about the "grossly undervalued" currency. He called the accusation "deceptive" and even turned on the dollar, saying that the recent dollar strength might be "homemade", caused by the political announcements of the government. Looking at the current levels of EUR, the possibility of rallying back towards 1.0800 seems far from reach, especially that the techs are leaning bearish coupled with the persistent political uncertainty in the EU.
- GBP – the proud pound fell hard yesterday as stops were triggered, falling like a water fall without any bids in sight as the dollar was crowned king ever so briefly in the morning. The loss was extended by the worse than expected UK Halifax house prices. Then, Cable bounce back on the back of Brexit headlines that the UK government will not renegotiate Brexit deal if rejected by the parliament, the rally was aided by BOE Forbes comments that she felt a rate hike might be needed soon, but the BOE should be nimble and willing to move in both directions. Furthermore, Cable seems to have found comfort in the new range of 1.24-1.27 and it will need solid new Brexit headline for us to break this range.
- JPY – jitters are seen in USDJPY ahead of the big meeting between Trump and BOJ PM Abe, and constructive outcome can see a decent rally towards 113.50. It will be an interesting summit, on one side you have Japanese policy makers who clearly prefer weaker JPY (although they don't like to admit it) and on the other side you have Trump who has been jawboning the USD recently. Ahead of this big event, with the light US data in the coming days should encourage dip buying sub 112.00.
- AUD & NZD – As expected the RBA left the rate unchanged which was seen fairly priced as the AUD rally was capped within 40 pips. Then the dollar recovery was in the driver seat pushing AUD to a low of 0.7606, as the fresh dollar demand gathered momentum. Ultimately AUD gathered some strength and crawled off the lows ahead of the RBA Lowe speech on Thursday and growth and inflation forecasts on Friday. Additionally, the market will shift its focus back towards NZD as we have the RBNZ decision on Thursday where the market expects no change, especially that the latest NZ dairy auction showed +1.3% price improvement.

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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	1.0692	-0.40%	-0.85%	+1.14%	-4.24%	+1.66%
GBP USD	1.2497	+0.21%	-0.58%	+2.70%	-13.31%	+1.27%
USD JPY	111.93	-0.12%	-0.95%	-3.65%	-3.21%	-4.30%

Source: Bloomberg

EM FX

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	3.7417	+1.51%	-1.17%	+0.69%	+26.98%	+6.19%
USD INR	67.413	+0.29%	-0.67%	-1.16%	-0.78%	-0.75%
USD IDR	13,329.0	+0.07%	-0.30%	-0.25%	-1.97%	-1.07%

Source: Bloomberg

G10 Rates

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.85%	+0.2	-6.6	-7.7	+68.9	-8.0
10Y	2.39%	-1.5	-6.0	-2.6	+64.5	-5.0
30Y	3.02%	-2.9	-4.3	+1.0	+44.2	-4.6

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	193.5	-1.1	-4.3	+0.9	+77.3	-2.3
10Y	231.8	-2.9	-4.0	+6.4	+63.3	-0.1
30Y	261.3	-4.1	-2.2	+12.7	+44.9	+4.4

Source: Bloomberg

Commodities Market

- Oil prices fell on Tuesday amid a stronger dollar, with WTI settling 1.6% lower at \$52.17 and Brent settling 1.2% lower at \$55.05. According to EIA's Short-term Energy Outlook, US crude output will rise 100 kbpd to 8.98 mln bbbls in 2017, 0.3% less than previously forecast, due to slower offshore growth in the US Gulf of Mexico. However, they increased the forecast for 2018 output to 9.53 mln bpd, up from 9.3 mln bpd. API reported post-settlement that US crude stockpiles rose by 14.2 mln bbbls last week.
- Copper prices fell 0.9% to \$5795 amid worries of capital outflows from China. It was reported during the open that workers are set to strike on Thursday 1100 GMT at BHP Billiton Escondida copper mine after contract talks mediated by the Chilean government failed to reach a deal. Escondida's vice-president of corporate affairs said that they have decided not to replace workers at least during the 1st 15 days of the strike.
- Corn futures rose 1.3% to \$3.69 while soybean futures rose 0.7% to \$10.43 on expectations for USDA to make minor downward revisions in 2016-17 US corn, soybean and wheat carryout in the WASDE report to be released on Thursday.

MENA Fixed Income

- Another strong day here in the GCC space with most curves well bid. Again the ADGB curve showing no signs of weakness with decent buying interest from Asia in addition to normal local demand. We had a busy day in Qatar and Oman curves mainly the 10yr space. To sum up a decent day in terms of volume and a healthy 2 way flow especially in Sov/IG names. Please contact desk for pricing and switch ideas on ADGB/QATAR/KSA/OMAN Sov Curves.
- Coming to New Issues, As we mentioned will be a busy February, Dubai Islamic Bank issued \$1bn 5yr Sukuk @ MS+170 – that's 15bps tightening and hearing an order book north of \$2bn. EQUATE Petroleum is on the road now and a deal is expected next week depending on market conditions. The Government of Hong Kong (AAA by S&P/ Aa1 by Moody's/ AA+ by Fitch) has mandated 4 banks for a potential Sukuk Issue. They will start the roadshow on the 13th with one team covering GCC & London and the other team covering Asia, NBAD on the deal.
- Ahli Bank Qatar has mandated 6 banks for bond investor meetings and Saudi Aramco said to borrow in the region between SAR 3bn to SAR 6bn in the local market and a dollar issue might follow at a later stage according to Reuters.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	342.4	+6.1	-8.1	-5.9	-107.1	-20.8
Sovx CEEMEA	70.7	+1.3	-4.9	-7.5	-124.6	-8.9
Itrax Xover	301.7	+5.4	+0.6	+12.0	-154.9	+13.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
ADGB 5Y	58.1	+2.7	+0.2	-0.9	-66.9	-3.4
Qatar 5Y	80.7	+3.7	-0.9	+1.1	-47.5	+0.4
Dubai 5Y	135.5	+3.2	-4.5	-4.7	-115.9	-14.4

Source: Bloomberg

Overnight market headlines

Global News

- US trade deficit falls as exports hit more than 1-1/2 year high
- BOE's Forbes says UK economy may soon need a rate increase
- Japan closes out 2016 with robust current-account surplus
- Bundesbank chief rejects claim of euro manipulation, says US government has itself to blame for dollar strength
- Yen climbs while euro feels pressure on Trump, European political woes; Asia shares fall, oil slumps
- Hong Kong Government mandates banks for a potential sukuk sale

Middle East & Africa News

- Dubai Islamic Bank raises \$1bn in a 5-year sukuk sale at MS+170bps
- Ahli Bank Qatar hires banks for bond investor meetings
- Saudi Aramco said to borrow up to \$1.6bn with domestic sukuk
- Qatar finance minister says govt. may not need to issue international bond this year as pressure on state finances easing, says austerity still needed
- Qatar finance minister expects economy to grow 3.4% to 3.5% this year; says 'very comfortable' with current oil prices
- Qatar committed to Volkswagen, says board representative
- Dubai says 14.9m tourists visit during 2016, up 5%
- Dubai's DP World posts 2.2% l-f-l rise in gross container volumes in 2016; says Europe, India, Turkey to lead growth in 2017
- Corporate earnings boost Dubai, Egypt; Kuwait's pull-back deepens
- Egypt says remittances, foreign inflows jump after float
- Nigeria's recession "will soon be history", says vice president, as its new economic plan targets GDP growth of 7% by 2020

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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	20,090	+0.19%	+1.14%	+0.63%	+25.35%	+1.66%
S&P 500	2,293	+0.02%	+0.62%	+0.71%	+23.72%	+2.42%
Nasdaq Composite	5,674	+0.19%	+1.06%	+2.77%	+32.46%	+5.41%
Nikkei	18,911	-0.35%	-0.69%	-2.79%	+11.21%	-1.07%
Hang Seng	23,332	-0.07%	+0.06%	+3.68%	+20.96%	+6.05%
Shanghai	3,153	-0.12%	+0.34%	-0.04%	+14.10%	+1.59%
Mumbai Sensex	28,335	-0.37%	+2.46%	+5.89%	+16.67%	+6.42%
DAX	11,549	+0.34%	+0.12%	-0.43%	+28.62%	+0.60%
CAC 40	4,754	-0.49%	+0.12%	-3.16%	+16.92%	-2.22%
FTSE 100	7,186	+0.20%	+1.23%	-0.33%	+26.31%	+0.61%
DJ Stoxx 50	3,236	-0.08%	+0.16%	-2.57%	+16.18%	-1.67%
FTSE MIB Index	18,663	-0.17%	+0.39%	-5.21%	+13.51%	-2.97%
SMI Index	8,370	+0.47%	+0.95%	-0.56%	+7.87%	+1.83%
MENA						
Abu Dhabi - ADX	4,545	+0.52%	-0.08%	-1.92%	+10.77%	-0.03%
Dubai – DFM	3,719	+0.74%	+2.08%	+0.71%	+20.15%	+5.31%
Saudi Arabia	7,039	-0.34%	-0.89%	-1.40%	+19.19%	-2.38%
Qatar	10,585	-0.23%	-0.12%	-1.31%	+9.14%	+1.42%
Bahrain	1,310	+0.72%	+0.50%	+8.31%	+11.44%	+7.36%
Kuwait	6,583	-1.77%	-3.65%	+11.64%	+26.37%	+14.53%
Oman	5,825	+0.17%	+0.84%	+0.55%	+7.90%	+0.73%
Egypt	13,129	+2.18%	+3.60%	+2.38%	+112.63%	+6.35%
Turkey	87,477	+0.14%	+1.37%	+13.45%	+21.49%	+11.95%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	52.17	-1.58%	-1.21%	-3.37%	+75.72%	-2.89%
Brent Oil \$/bbl	55.05	-1.20%	-1.17%	-3.59%	+67.43%	-3.12%
Gold spot \$/oz	1,235	+6.81%	+2.00%	+4.39%	+3.30%	+7.60%
Silver spot \$/Troy oz	17.76	+10.03%	+1.50%	+6.81%	+15.73%	+11.49%
Alluminium 3MO \$	1,831	-0.19%	+0.66%	+6.89%	+22.15%	+8.15%
Nickel 3MO \$	10,355	-0.91%	+4.02%	+1.07%	+26.90%	+3.34%
Copper 3MO \$	5,795	-0.87%	-3.27%	+3.67%	+25.16%	+4.69%

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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