

Daily Market Chatter

FX & Rates

- Yellen's 'gradual rate hikes' over the next few years comments gave rates a bit of a smack with the sucker punch delivered hours later by the beige book which gave no further clarity on anything but did ask many questions about why there is no real wage growth or inflation. The words modest to moderate were prevalent but the report didn't really make a difference to yields with 10y off 10bp since Tuesday and chances of a Dec hike reduced to around 47% (Sep is now at less than 10% or realistically 2bp downside to bet on a move). Today is an interesting data day with claims and PPI as well as the Bloomberg Consumer Comfort numbers. Yellen likely to repeat herself tonight but any change of sentiment will give the market some relief and should see a stronger dollar although Brainard at 9pm could prove contrary - unlikely though.

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	1.87%	-4.1	-3.9	+9.2	+81.4	-5.2
10Y	2.32%	-4.3	-0.5	+10.7	+84.3	-12.6
30Y	2.88%	-3.9	+3.8	+1.9	+71.2	-18.1

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	194.3	-4.2	-4.8	+6.9	+93.1	-1.5
10Y	227.5	-4.2	-3.8	+9.1	+95.6	-4.4
30Y	255.4	-2.5	-1.9	+8.8	+82.7	-1.6

Source: Bloomberg

- GBP: RICS house price balance was disappointing this morning missing by 8% but this has had little impact on cable which is still basking in the glow of unemployment at 4.5% and some improvement to weekly earnings for May. There's very little data domestically until Tuesday so expect a little support from Europe or the US which could easily be derailed by the new Brexit flags with the EU still demanding a large payment to exit and the Labour party demanding multiple amendments to the repeal bill before they will vote for it. Joy and happiness for May, I wonder if she's moved past the election debacle in her head yet. Cable challenging the 1.29 mark but I stick to the view it should be lower.
- EUR: Yesterday's better than expected industrial productions provided a small short-lived bounce around 1.1440. Later, EURUSD seesawed between (1.1429 - 1.1480) on the back of Yellen's remarks; then mysterious selling demand ensued, pushing EURUSD to a low of 1.1392. With that said, EURUSD has been building up a broad-based uptrend for the past week, which is still intact as long as EURUSD does not break below 1.1380.

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1421	-0.16%	+0.73%	+1.96%	+2.82%	+8.60%
GBP USD	1.2899	+0.40%	-0.18%	+1.22%	-2.22%	+4.53%
USD JPY	113.20	-0.66%	-0.02%	+2.83%	+8.54%	-3.21%

Source: Bloomberg

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- CAD: Last week's Canadian employment data and Poloz's hawkish remarks were well received by the market and the chance of a rate hike went up to 80%. The central bank did not disappoint the market and hiked yesterday; the initial reaction saw USDCAD drop from 1.2900 to 1.2800 in a single shot. The move continued post Poloz's press conference as he saw inflation overshoot 2% by 2019 and sounded more hawkish than initially anticipated, which pushed USDCAD to a low of 1.2681.
- AUD: Aussie is heading to the clouds as it continues to rally after the breakout that happened with AUDNZD three days ago. China exports rose 17.3% from yoy which offer further support to the AUD as it's a big importer of Australian commodities. We expect AUDUSD to stay supported above 0.7680 for today.
- CNY: PBOC offered 1-year MLF at 3.2%. Amount is 360 bio which sorts of rolling over today's MLF maturing amount + OMO expiry amount (adding up to around 400 bio).

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	3.5681	-1.47%	-1.14%	+1.35%	+22.94%	+1.27%
USD INR	64.5400	-0.08%	-0.37%	+0.31%	-3.75%	-4.98%
USD IDR	13,370.0	-0.15%	+0.04%	+0.59%	+2.17%	-0.76%

Source: Bloomberg

Asia Credit

- It was all about Yellen last night and we saw the 10-year Treasury yield falling four basis points overnight and a little less than one basis point this morning to trade at 2.31%.
- For us today in Asia, we have new issues from China Nat Chem and others as follows: HAOHUA 3 07/19/20, HAOHUA 3.25 07/19/22, HAOHUA 4.125 07/19/27, PTTEP 4.6 PERP and SMBCAC 3 07/15/22. So 4bio new bonds in total there.
- Given the overnight moves and what we have today, the tone the market has taken from the testimony looks good for me. We expect some of these new issues to perform well and secondary to stay strong. EM prices should do well as yesterday's new Indo keeps positive momentum. We continue to see good activity in the Indois curves, esp the 2027 issues and the GBHK curve. We have been buying some Indois 21 and still good 2 way axe in HK. Overall a good strong credit space here today.

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	334.2	-3.6	-4.1	+8.9	-18.3	-29.0
Sovx CEEMEA	56.3	-1.8	-0.8	+8.7	-62.6	-23.3
Itrax Xover	246.6	-7.3	-0.4	+11.5	-77.7	-41.4

Source: Bloomberg

MENA Credit

- We had another positive day mainly for QATAR, KSA & OMAN curves. We are seeing buyers of the Qatar Sov curve mainly Qatar 26s which tightened by almost 25bps in the past 2 days. There is optimism surrounding US Secretary of State Rex Tillerson visit to Saudi. Yesterday he met with King Salman and the Saudi Crown prince in addition to officials from UAE, Bahrain & Egypt and should be flying to Doha today, so let's see what happens next!

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	57.2	-2.5	-2.0	+10.6	-20.0	-4.2
Kuwait 5Y	80.0	+7.0	+0.0	+30.0	-31.6	-31.2
Dubai 5Y	124.4	-5.2	-8.2	+3.2	-47.9	-25.4

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	106.2	-8.4	-10.5	+14.4	+8.5	+25.9
KSA 5Y	103.5	-4.1	-10.5	+6.5	-61.1	-9.9
Bahrain 5Y	247.1	+1.6	-8.0	+17.3	-129.0	-55.3

Source: Bloomberg

Overnight market headlines

Global News

- Fed's Yellen sees only 'gradual' rate hikes, but cautions on inflation; says portfolio plans on track
- Fed survey adds to policy makers' conundrum over jobs and wages
- Barnier says UK must accept principle of Brexit bill; Former UK business secretary Vince Cable says Brexit talks may collapse amid government divisions
- China June exports rise 17.3% as global trade rebound continues
- Dollar weakens, bonds rally with Asian shares as markets bet on glacial Fed

Middle East & Africa News

- Tillerson meets Saudi King, Crown Prince
- Saudi crown prince discusses defense ties with Turkish minister
- Investors buoy Qatar assets amid Tillerson's mending effort, but remain cautious
- Asian refiners said to tweak their Qatar oil loadings to side; buyers load Saudi, Emirati crude before Qatar and combine Qatari crude loadings with Iranian cargoes
- Qatargas said to ask suppliers to set up local offices amid standoff
- Dubai's Topaz Marine to kick off roadshow for \$375m bond issue
- Union National Bank says second quarter profit increases 7%
- Commercial Bank of Dubai first half net profits down 31.6%
- Banking shares lift market Middle East stock market ahead of Fed testimony; retail sector also supports Saudi
- Egypt to halt flour subsidy and cut wheat imports by up to 10%

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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	21,532	+0.57%	+0.25%	+0.95%	+17.20%	+8.95%
S&P 500	2,443	+0.73%	+0.44%	+0.12%	+13.51%	+9.13%
Nasdaq Composite	6,261	+1.10%	+1.79%	+0.66%	+25.08%	+16.31%
Nikkei	20,098	-0.48%	+0.08%	+1.00%	+23.82%	+5.15%
Hang Seng	26,044	+0.64%	+2.04%	+0.74%	+22.14%	+18.38%
Shanghai	3,198	-0.17%	-0.30%	+1.39%	+4.47%	+3.03%
Mumbai Sensex	31,805	+0.18%	+1.79%	+2.25%	+14.34%	+19.45%
DAX	12,627	+1.52%	+1.39%	-1.08%	+27.15%	+9.98%
CAC 40	5,222	+1.59%	+0.81%	-0.75%	+20.46%	+7.40%
FTSE 100	7,417	+1.19%	+0.67%	-1.11%	+11.19%	+3.84%
DJ Stoxx 50	3,515	+1.46%	+1.06%	-1.20%	+20.13%	+6.83%
FTSE MIB Index	21,433	+1.52%	+2.36%	+1.63%	+29.68%	+11.43%
SMI Index	9,016	+1.59%	+0.69%	+1.68%	+10.73%	+9.68%
MENA						
Abu Dhabi – ADX	4,410	+0.02%	-0.09%	-2.82%	-3.60%	-3.01%
Dubai – DFM	3,494	+1.59%	+2.26%	+1.53%	+0.30%	-1.03%
Saudi Arabia	7,307	+0.84%	+0.55%	+7.13%	+9.20%	+1.33%
Qatar	9,280	+2.77%	+3.93%	+2.03%	-10.07%	-11.08%
Bahrain	1,317	+0.41%	+0.41%	-0.78%	+12.15%	+7.92%
Kuwait	6,795	+0.23%	+1.85%	+0.26%	+26.15%	+18.20%
Oman	5,170	-0.02%	+1.11%	-2.70%	-12.60%	-10.59%
Egypt	13,690	+0.04%	+2.67%	+1.17%	+81.09%	+10.90%
Turkey	1,03,810	+0.61%	+3.04%	+4.54%	+27.65%	+32.85%

Source: Bloomberg

Major Commodities Prices	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	45.49	+1.00%	+0.80%	-2.09%	+1.65%	-15.32%
Brent Oil \$/bbl	47.74	+0.46%	-0.10%	-2.01%	+3.20%	-15.98%
Gold spot \$/oz	1,221.4	+0.46%	-0.15%	-3.46%	-9.04%	+6.44%
Silver spot \$/Troy oz	15.950	+1.12%	-0.27%	-4.96%	-21.60%	+0.14%
Aluminium 3MO \$	1,889.0	-0.58%	-2.07%	+0.00%	+12.71%	+11.58%
Nickel 3MO \$	9,205	+0.82%	+0.49%	+4.66%	-12.25%	-8.13%
Copper 3MO \$	5,905	+0.51%	+1.10%	+2.30%	+21.28%	+6.68%

Source: Bloomberg

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