

# Weekly Market Insight

Interest Rate, FX, Commodity

**MARISK**  
beyond derivatives

Headline: Fed and US Jobs Report on the Watch

1-Nov-16

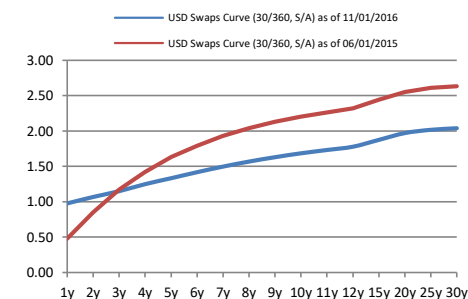
## Market Update

It's getting exciting! Interest rates rose on the back half of the curve while equities drifted lower as earnings have moderated. We have a two-day FOMC meeting that no one is even talking about as the US Presidential race reaches fever pitch and Friday is nonfarm payrolls for October. A surprise rate hike from the Fed seems impossible with a December meeting rise baked in, but the policy statement language can always be rankling for markets, so we must watch Wednesday afternoon. The first print for US Q3 GDP almost hit 3% QoQ annualized, and beat estimates as a result of export growth (Chinese soybean demand, as it happens). The US wasn't alone. Better than expected economic data in Europe and the United Kingdom showed the region seems to have sidestepped, for the moment anyway, the widely expected economic malaise spurred by the surprise Brexit vote this past June. The positive mood helped extend interest rates higher, both in the US and Europe. German 10-year bunds are solidly in positive territory for the first time in a month at .15%, UK 10-year gilts are at post-Brexit highs of 1.26%, while US 10-year yields traded near 1.85%, the highest level in four months. US personal consumption component alone nearly bested Q2 readings, however investment and inventory growth also contributed to the number which only gained 0.1% as a result of government spending, which has historically mattered more. The GDP price index rose in line with consensus at +1.5% QoQ. Oil has sold off to below \$49/bbl as OPEC was unable to agree on production reductions, and gold sits at \$1,274/oz. for front month futures, up almost 20% YTD. Prior to Friday's release of the GDP report, data were mixed for housing, consumers, and capital goods. New home sales rose 3% MoM (and are up about 30% YoY), however July and August numbers were revised significantly lower. Home price indices from FHFA and S&P CoreLogic showed a continued advancement of prices in the 5-6% annualized rate range, with more gains in the most populated cities. Durable goods orders fell fractionally on the headline but rose faster than forecasts on the core print (+0.2% MoM), but it was a quiet report. Consumer confidence and sentiment has expectedly slumped as people are bombarded in the election cycle, however some positives for employment appeared in the reports despite downbeat current economic conditions and expectations. The Q3 employment cost index rose 0.6%QoQ (still +2.3%YoY), however the gains in total compensation were a function of expanded benefits offsetting a slight drop in wages/salaries. Treasury auctioned belly paper last week, with demand growing with length of maturity as yields were up MoM, as the 2-year auction was weakest and the 7-year note yield (up some 26 bps MoM) attracted the most non-dealer interest of the week. FOMC meeting wrap on Wednesday, NFP release on Friday, does anything else matter? Sure! Factory orders and construction spending should show gains for September, forecast this. FOMC meeting on Wednesday and NFP release on Friday, does anything else matter? Sure! Factory orders and construction spending should show gains for September, forecast this. FOMC meeting on Wednesday and NFP release on Friday, does anything else matter? Sure! Factory orders and construction spending should show gains for September, forecast this.

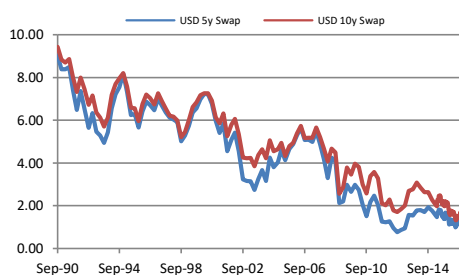
## Risk Indicators

| CDS 5Y    | Last   | Week Ago | Year Ago |
|-----------|--------|----------|----------|
| Abu Dhabi | 68.00  | 67.00    | 71.00    |
| Dubai     | 152.00 | 153.00   | 197.00   |
| Qatar     | 90.00  | 88.00    | 71.00    |
| Saudi     | 134.00 | 135.00   | 147.00   |
| Egypt     | 478.00 | 482.00   | 391.00   |
| China     | 107.00 | 106.00   | 120.00   |
| France    | 31.00  | 30.00    | 29.39    |
| Germany   | 20.00  | 19.00    | 12.80    |
| Japan     | 34.00  | 34.00    | 44.00    |
| UK        | 39.00  | 39.00    | 16.80    |
| US        | 20.00  | 20.00    | 17.00    |
| Spain     | 72.00  | 70.00    | 88.50    |
| Portugal  | 274.00 | 282.00   | 74.62    |

## Swap Yield Curve



## Historical Swap Rates



| FX     | Last    | Week Ago | Year Ago |
|--------|---------|----------|----------|
| EURUSD | 1.0969  | 1.0883   | 1.105    |
| USDJPY | 104.92  | 104.42   | 120.64   |
| GBPUSD | 1.2229  | 1.2225   | 1.5437   |
| USDCHF | 0.9886  | 0.9939   | 0.9861   |
| USDSAR | 3.7505  | 3.7508   | 3.7502   |
| USDQAR | 3.6409  | 3.6415   | 3.64     |
| USDAED | 3.6731  | 3.6729   | 3.6725   |
| USDOMR | 0.3847  | 0.3849   | 0.3848   |
| USDKWD | 0.3029  | 0.3026   | 0.3029   |
| USDBHD | 0.3769  | 0.3771   | 0.3771   |
| USDSGD | 1.3904  | 1.3913   | 1.4003   |
| AUDUSD | 0.7666  | 0.7635   | 0.7129   |
| USDCAD | 1.3401  | 1.3327   | 1.3088   |
| USDNOK | 8.2479  | 8.2474   | 8.4620   |
| USDHKD | 7.75    | 7.76     | 7.75     |
| USDTRY | 3.1018  | 3.0790   | 2.9110   |
| USDINR | 66.6900 | 66.8800  | 65.42    |

## Commodity

|                  |       |       |        |
|------------------|-------|-------|--------|
| Gold \$/oz       | 1280  | 1267  | 1137   |
| Silver \$/oz     | 17.97 | 17.71 | 15.42  |
| Oil (WTI) \$/bbl | 47.01 | 50.56 | 46.29  |
| Aluminium \$/t   | 1772  | 1626  | 1451.5 |
| Copper \$/t      | 4826  | 4620  | 5137   |

| CBK Watch | Last   | Next     | Year Ago |
|-----------|--------|----------|----------|
| FED       | 0.50%  | 2-Nov-16 | 0.25%    |
| BOE       | 0.25%  | 3-Nov-16 | 0.50%    |
| ECB       | 0.00%  | 8-Dec-16 | 0.05%    |
| BOC       | 0.50%  | 7-Dec-16 | 0.75%    |
| BOJ       | -0.10% | 1-Nov-16 | 0.10%    |

| Volatility | Last  | Week Ago | Year Ago |
|------------|-------|----------|----------|
| VIX Index  | 16.62 | 13.02    | 14.15    |
| VSTOXX     | 21.44 | 17.71    | 20.77    |

Data source: Bloomberg

| Interbank 3M | Last     | Week Ago | Year Ago |
|--------------|----------|----------|----------|
| USD LIBOR    | 0.88600% | 0.88200% | 0.33410% |
| EURIBOR      | -0.3130% | -0.3130% | -0.0680% |
| SAIBOR       | 2.34000% | 2.39000% | 0.99000% |
| KIBOR        | 0.78130% | 0.78130% | 1.18750% |
| BHIBOR       | 1.8750%  | 1.8750%  | 1.3750%  |
| QIBOR        | 1.66754% | 1.59012% | 1.42057% |
| EIBOR        | 1.29614% | 1.28229% | 0.85200% |

## Govt Bonds Yields

|                  |         |         |         |
|------------------|---------|---------|---------|
| US Treasury 10y  | 1.8580% | 1.7630% | 2.1673% |
| US 2s-10s spread | 1.001%  | 0.915%  | 1.414%  |
| Germany 10y      | 0.191%  | 0.023%  | 0.567%  |
| JGB 10y          | -0.054% | -0.067% | 0.307%  |
| Gilt 10y         | 1.275%  | 1.074%  | 1.940%  |

## Swap Rates

|             |        |        |       |
|-------------|--------|--------|-------|
| USD 5y Swap | 1.33%  | 1.27%  | 1.48% |
| EUR 5y Swap | 0.01%  | -0.06% | 0.27% |
| GBP 5y Swap | 0.84%  | 0.73%  | -     |
| CHF 5y Swap | -0.47% | -0.52% | -     |

## \$ Volatility

|                     |       |       |       |
|---------------------|-------|-------|-------|
| 3M Euro\$ Fut       | 99.06 | 99.04 | 98.85 |
| USD Index Future DX | 98.25 | 98.68 | 98.91 |

| Rate Caps (cost in bps) | Strike = 4% | Strike = 5% |
|-------------------------|-------------|-------------|
| 3y Libor Cap            | 8           | 7           |
| 5y Libor Cap            | 28          | 21          |
| 7y Libor Cap            | 69          | 46          |

## About MARISK

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