INVESTMENT STRATEGY
WEEKLY VIEW

For inquiries related to this article, please contact:
Christofer.Langner@bankfab.com

بنـك أبـوظبـي الأول
FAB
First Abu Dhabi Bank

INFLATION BECOMES THE MAIN FOCUS OF THE FED

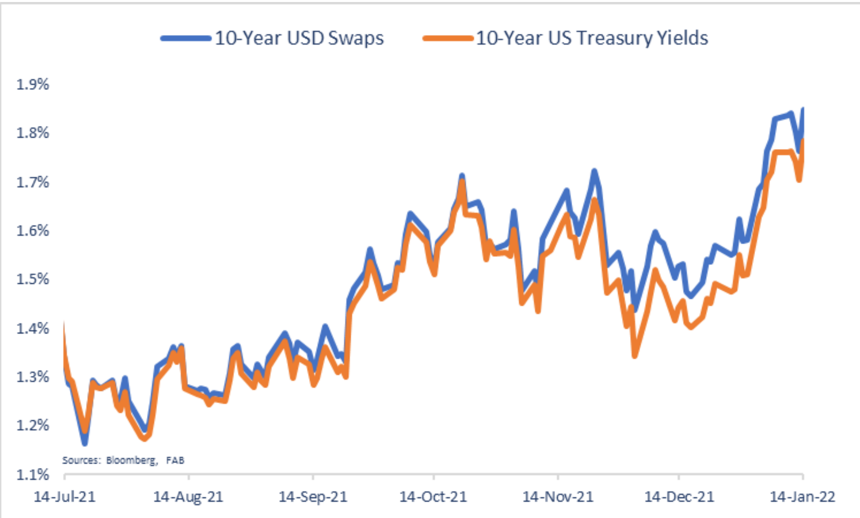
January 17th 2022

- US year-on-year inflation hit the highest since 1981 in December
- Fed governors have started to suggest this year could see four rate hikes
- Oil prices hit pre-pandemic levels as US inventories fall to the lowest since 2018
- The Saudi TADAWUL index hit the highest since 2006 amid growth optimism

Based on the Federal Reserve's projections, the US has reached full employment, so the central bank now can focus on inflation. The year-on-year CPI reached 7% in December, the highest since 1981, and now a growing chorus of Fed voices is saying they may have to hike rates aggressively this year to beat it. Treasury yields are back to pre-COVID levels, reflecting that prospect.

Higher rates are also prompting some repricing of risky assets, especially stocks with elevated PE multiples. Given the market positioning, too, this period of repricing could last a few more weeks, prompting more volatility. This, however, can present an opportunity for savvy investors, as structured products could offer more compelling returns if struck now.

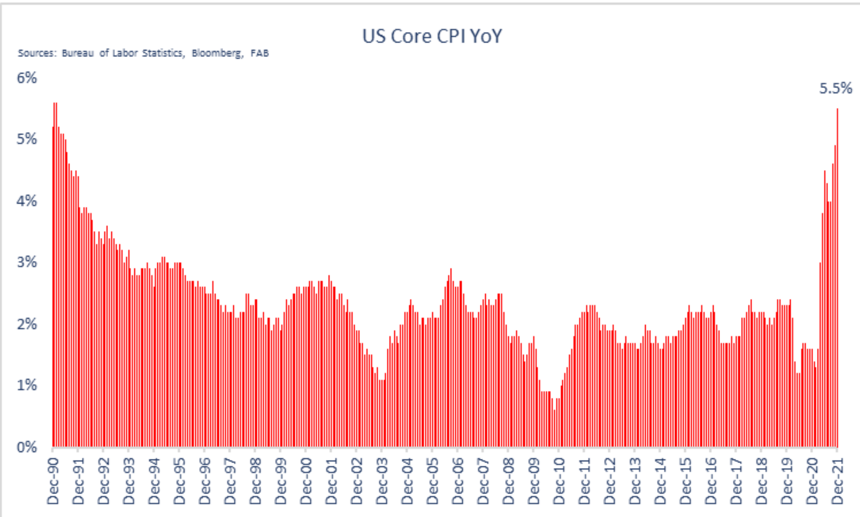
SWAPS INDICATE THREE-YEAR HIGH FOR TREASURY YIELDS MAY NOT BE THE TOP YET



- The yield on 10-year US Treasuries closed Friday at 1.78%, the highest level since January 2020, before the pandemic had gone global.
- The yield on 10-year swaps, which are often used to hedge bond positions, however, closed at 1.85%, suggesting Treasury yields could rise further.
- The yield on 10-year bunds nearly touched zero last week, its highest since May 2019, and 10-year JGBs are also offering one of the highest yields in almost three years as the bond rout starts to spread globally.

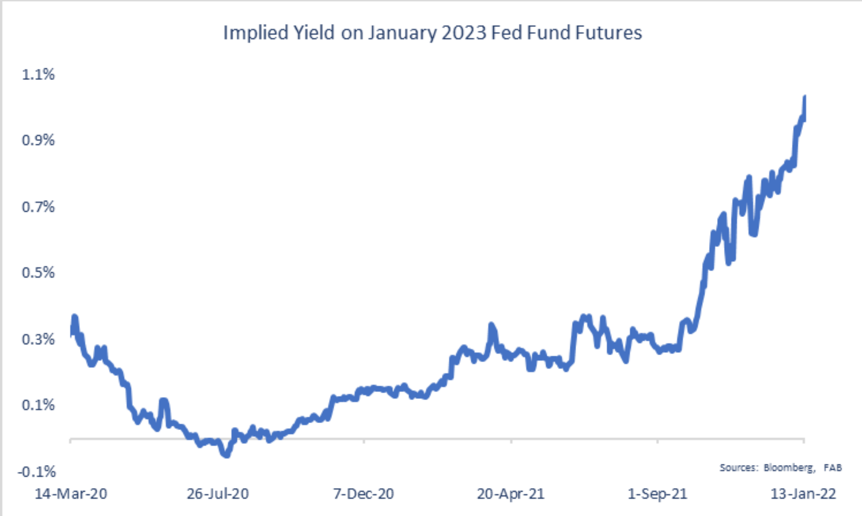
EVEN EXCLUDING FOOD AND ENERGY PRICES, US INFLATION IS AT A 30-YEAR HIGH

- The broad year-on-year consumer price inflation calculated by the US Bureau of Labor Statistics hit 7% in December, the highest since 1981.
- Even the measure that excludes more volatile food and energy prices hit 5.5%, the biggest advance in 30 years.
- The measure prompted more calls from Fed officials for up to four rate hikes this year, with the first one potentially coming already in March.
- Producer prices, though, have started to slow down and the December PPI came in below expectations, at 9.7%.

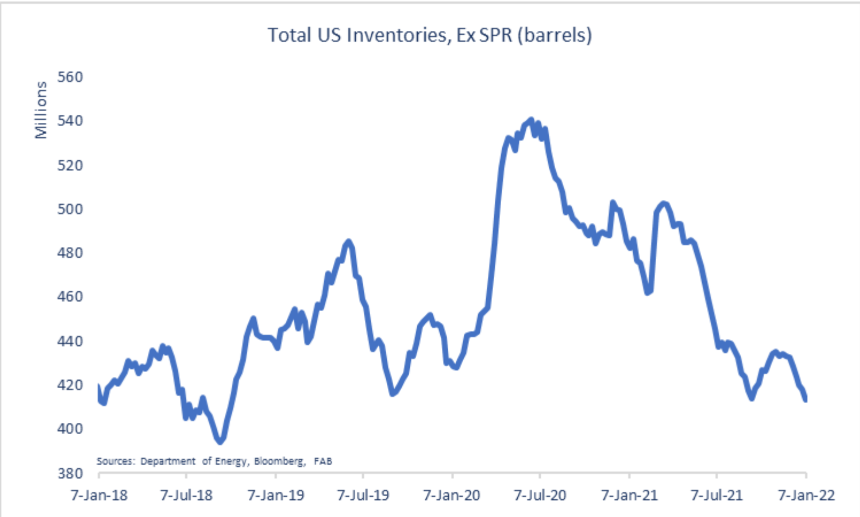


THE MARKET IS NOW PRICING FOUR FED RATE HIKES THIS YEAR, STARTING IN MARCH

- The implied yield on January 2023 Fed fund futures is at 1.03%, while those expiring in April are at 0.3%
- Futures have a patchy record of predicting the path of Fed funds, though, given that many investors use them to hedge bond positions.
- Philly Fed President Patrick Harker said he favours three or four hikes this year, while Jerome Powell and Lael Brainard told the US Senate they will fight inflation aggressively.
- The market is likely to price this outlook in the next two months.



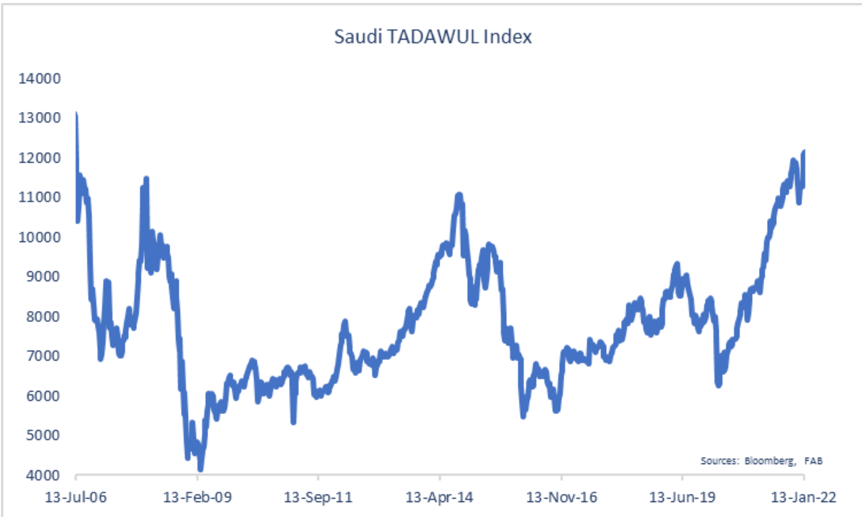
BRENT CRUDE HIT US$86.06/BARREL AS US INVENTORIES FELL TO THE 2018 LEVELS



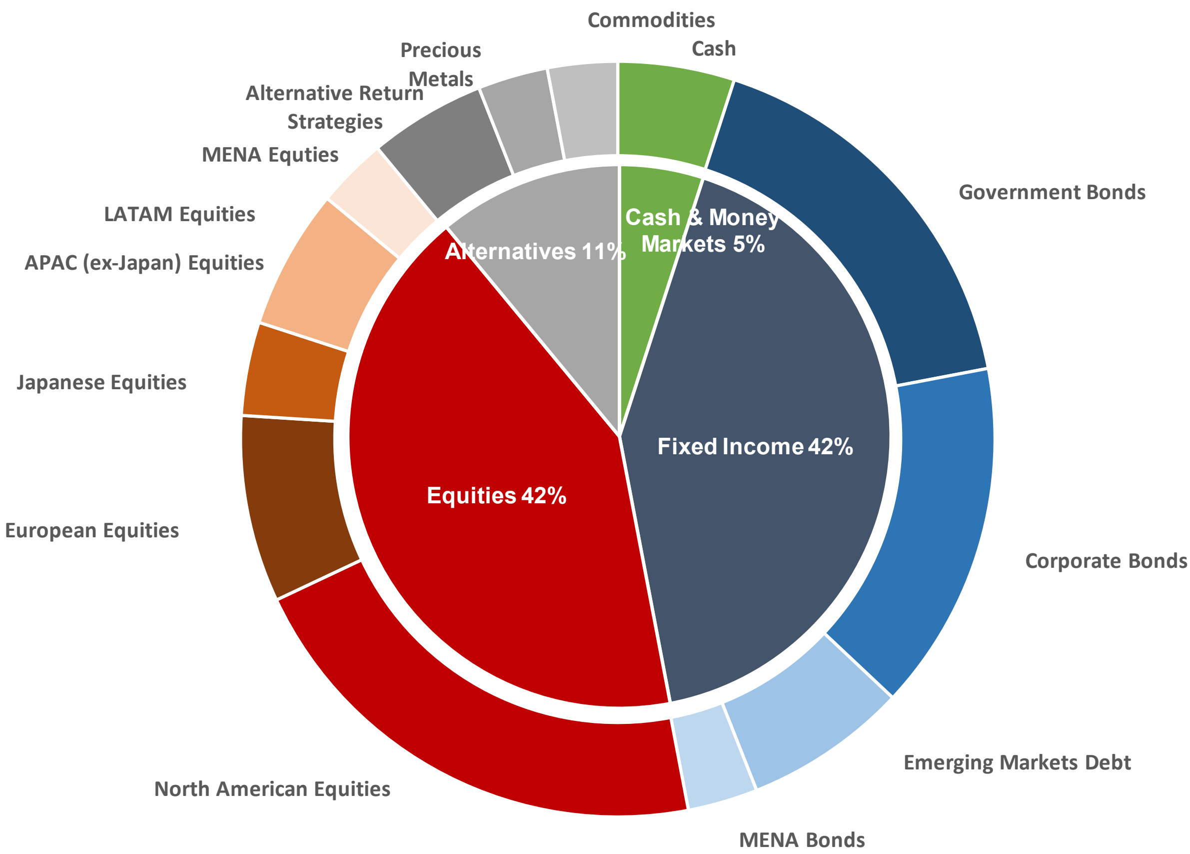
- Concerns about output disruption in Kazakhstan and Libya, as well as a spike in gas prices in Europe helped push crude prices higher.
- The EIA has recently said that demand is proving far more resilient than expected, despite Omicron.
- Spot prices are also higher than futures, in so-called backwardation, a sign that buyers are finding it harder to get oil when they need it.
- Higher oil prices, however, add to inflation and could curtail future demand if they last too long.

THE SAUDI TADAWUL INDEX CLOSED LAST WEEK AT ITS HIGHEST LEVEL SINCE 2006

- Higher oil prices are spurring forecasts of strong growth across the GCC and supporting local assets.
- The prospect of higher US dollar yields also improves the prospects for financial companies, which are key components of the major indices in the region.
- Abu Dhabi's stock market index was one of the best performing in the world last year, up by 68.24%.
- Higher liquidity, upcoming IPOs and other structural shifts suggest the winning streak may continue.



Asset Class	Positioning	Detail
Cash	Underweight	Putting cash to work in risk assets.
Fixed Income	Overweight	Keeping a slight overweight focused on EM dollar debt.
Equities	Overweight	Slightly overweight in Asia ex-Japan and US markets.
Alternatives	Underweight	However, reducing the underweight in hedge funds.



Disclaimer: This report has been prepared and issued by Products & Services - Elite & Private Banking ("P&S EPB") of First Abu Dhabi Bank PJSC ("FAB") outlining particular services provided by P&S EPB. This report is for general informational purposes and does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for, any shares in FAB or otherwise or a recommendation for a particular person to enter into any transaction or to adopt any strategy nor shall it or any part of it form the basis of orbe relied on in connection with any contract therefore. Anyone proposing to rely on or use the information contained in this publication should independently verifyand check the accuracy, completeness, reliabil-ity and suitability of the information and should obtain independent and specific advice from appropriateprofessionals or experts.

This report is provided on a confidential basis for informational purposes only andis proprietary to P&S EPB. This report may not be disclosed to any third party or used for any other purpose without the prior written consent of P&S EPB. The manner of circulation and distribution may be restricted by law or regulation in certain countries, hence any unathorised use or disclosure of this document is prohibited.

The information in this report reflects prevailing conditions and our views as of thisdate, which are accordingly subject to change. In preparing this report, we have relied upon and assumed, without independent verification, the accuracy and completeness of all the information available from public sources or which was otherwise reviewed by us. FAB PJSC makes no representation or warranty, expressed or implied, as to the accuracy, timeliness or complete-ness of the information in this report. FAB PJSC shall have no liability to the Customer or to third parties for the quality, accuracy, timeliness, continued availability or completeness of any data or calculations contained and/or referred to in this report nor for any special, direct, indirect, incidental or conse-quential loss or damage which may be sustained because of the use of the information containedand/or referred to in this report or otherwise arising in connection with the information contained and/or referred to in this report, provided that this exclusionof liability shall not exclude or limit any liability under any law or regulation applicable to FAB PJSC that may not be excluded or restricted.
Past performance is not a guarantee of future performance and should not be seen as an indication of future performance due to a variety of economic, marketor other factors. The information contained in this report does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Any projections of potential risk or return are illustrative and should not be construed as limitations of the maximum possible loss or gain. Data included in this report may not take into account all potentially significant factors, such as market risk, liquidity risk and credit risk. Undue reliance should not be placed on forward looking statements in making an invewstment decision.

In addition, our analysis are not and do not purport to be appraisals of the assets, stock or business of the recipient and has been prepared without taking into account the objectives, financial situation or needs of particular person. Even when this presentation contains a kind of appraisal, it should be considered preliminary, suitable only for the purpose described herein and not be disclosed orotherwise used without the prior written consent of P&S EPB. FAB clients may already hold positions in the assets subject to this report and may accordingly benefit from the buying or selling of such assets as referred to in this report.This document does not purport to set out any advice, recommendation orrepresentation on the suitability of any investment, transaction or product (as referred to in this document or otherwise), for potential purchasers. In receiving this report, the client is fully aware that there are risks associat-ed with investment activities. Potential purchasers should determine for themselves the relevance of the information contained in this document and the decision to purchase any investment contained herein should be based on such investigation and analysis as they themselves deem necessary. Before entering into any transaction potentialpurchasers should obtain the investment offering materials, which include a description of the riks, fees and expenses and ensure that they fully understand the potential risks and rewards of that transaction (including, without limitation, allfinancial, legal, regulatory, tax and accounting consequences of entering into thetransaction and an understanding as to how the transaction will perform under changing conditions) and that they independently determine that the transactionis appropriate for them given their objectives, experience, financial andoperational resources and other relevant circumstances. Potential purchasersshould consider consulting with such advisers and experts as they deem necessary to assist them in making these determinations.

FAB is acting solely in the capacity of a potential arm's-length contractual counterparty and not as a financial adviser or fiduciary in any transaction unless we have otherwise expressly agreed so to act in writing. FAB does not provide anyaccounting, tax, regulatory or legal advice. FAB is licensed by the Cen-tral Bank ofthe UAE.

London: FAB London Branch is Authorized by the Prudential Regulation Authority.Subject to regulation by the Financial Conduct Authority and limited regulation bythe Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from FAB London branch on request. Registered in England & Wales: Company No: FC009142: VAT No: GB2453301 91.

Paris: FAB Paris Branch is licensed by the French Prudential Control Authority as acredit institution. FAB Paris is registered in France under the company number: RCS Paris B 314 939 547.

Switzerland: This publication is for informational purposes only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted ba-sis and/or maynot be eligible for sale to all investors. This report is for distribution only under suchcircumstances as may be permitted by applicable law. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or war -ranty, express or implied, ismade as to its accuracy or completeness. All information and opinions as well as any prices indicated are currently as of the date of this report, and are subject to change without notice. The analysis contained herein is based on numerousassumptions. Different assumptions could result in materially different results. At any time the First Abu Dhabi Bank PJSC and/or FAB Private Bank (Suisse) SA may have a long or short position, or deal as principal or agent, in relevant securities orprovide advisory or other services to the issuer of relevant securities or to a company connected with an issuer. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identi-fying the risk to which you are exposed may be di icult to quantify. Futures and options trading is considered risky. Past performance of an investment is no guarantee for its current or future performance. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. First Abu Dhabi Bank PJSC and/or FAB Private Bank (Suisse) SA expressly prohibit the distribution and transfer of this document to third parties for any reason. First Abu Dhabi Bank PJSC and/or FAB Private Bank (Suisse) SA will not be liable for any claims or lawsuits from any third parties arisingfrom the use or distribution of this document.

Singapore: First Abu Dhabi Bank P.J.S.C., Singapore Branch is regulated by the Monetary Authority of Singapore and holds a Wholesale Bank license.

For more details relating the investment products, please refer to the Prospectus and/or offering document on https://www.bankfab.ae/en/investPlease contact your relationship manager