

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

MARKETS ARE EXPECTING THE MOST AGGRESSIVE FED SINCE 2004

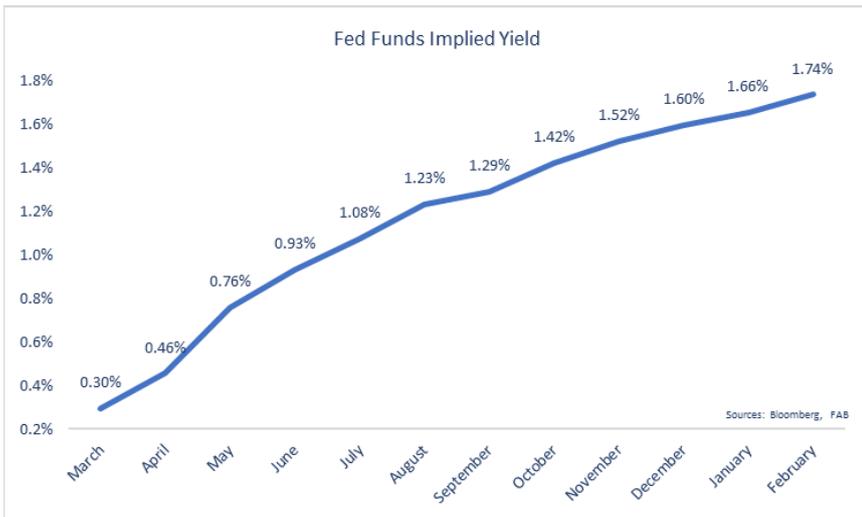
February 14th 2022

- Comments by James Bullard had markets considering a 50bp Fed hike in March
- Two-year Treasury yields soared last week and touched 1.58%
- US stocks tumbled on Thursday and Friday after a 7.5% January inflation reading
- Brent crude continued its rise as the IEA revised its demand estimates upwards

Since Alan Greenspan chaired it, the Federal Reserve has done everything to telegraph its moves clearly and avoid surprising investors. Last week, however, markets started to price in the possibility of a 50 basis points hike, something that has not happened since 2000, after January CPI, the broad US inflation measure, came higher than expected, at 7.5% year-on-year.

The adjustment receded on Friday, but futures are still pricing in the most aggressive Fed action since 2004, with back-to-back hikes in the second quarter. Bond and stock markets are adjusting to that expectation, and therein may lie an opportunity. If the Fed becomes less hawkish than futures have now priced, risk assets could still rally into the end of the year.

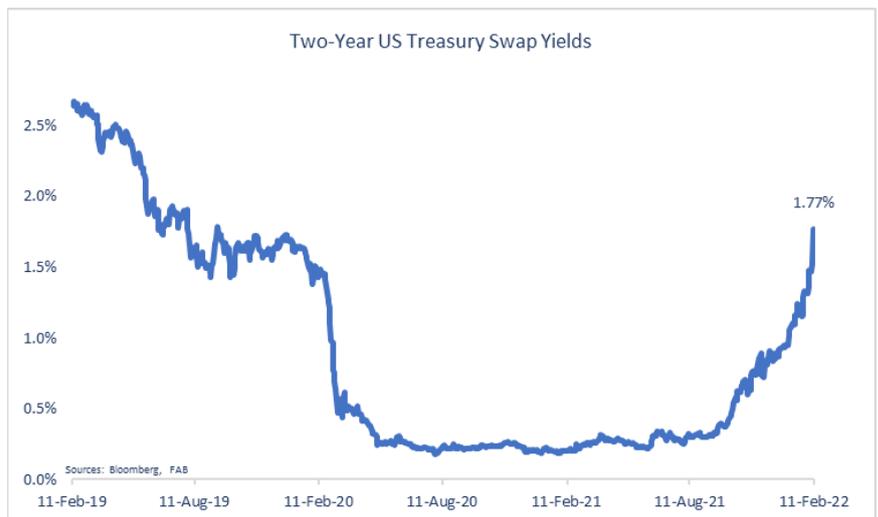
FUTURES MARKETS ARE NOW PRICING SEVEN FED RATE HIKES IN THE NEXT YEAR



- The yield on Fed fund futures implies one hike in March, followed by two consecutive hikes in April and May.
- On Thursday, futures contracts were pricing in a 50 basis-points hike in March, but they retreated on Friday.
- The move in futures happened after St Louis Fed President James Bullard said he wanted 100 basis points of hikes by July 1st.
- If the Fed were to follow the path suggested by futures markets this would be the most aggressive rate hiking cycle since 2004.

TWO-YEAR TREASURY SWAP YIELDS ROSE TO 1.77% AFTER BULLARD'S COMMENTS

- The two-year swaps ended the week at a yield of 1.73% after a Friday rally in Treasuries.
- The move was more pronounced than that of two-year Treasury bonds, which saw their yield peak at 1.58% on Thursday, and closed the week at a yield of 1.5%.
- The two-year bonds are more sensitive to benchmark rate changes and their yield has risen 77 basis points so far this year.
- The spread between swaps and bonds suggests yields could rise further.



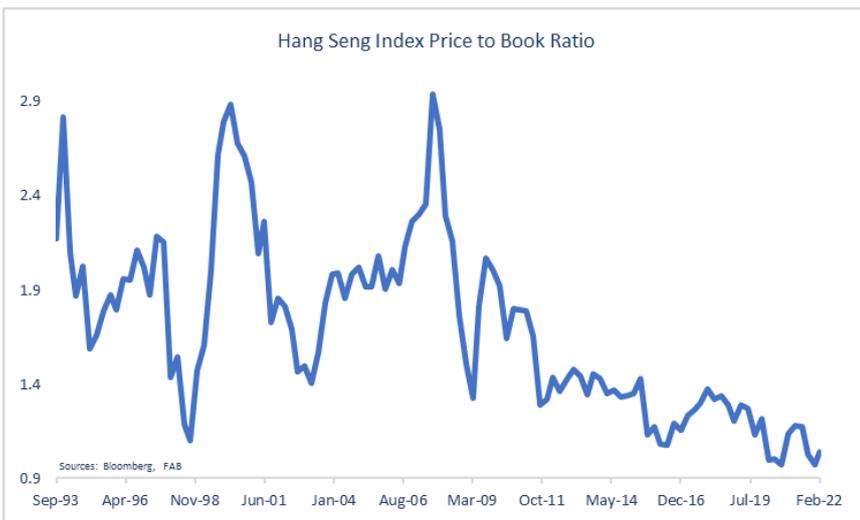


ANALYSTS ARE STARTING TO REVISE DOWN EXPECTED US EARNINGS FOR THIS YEAR

- Estimate revisions for the S&P 500 have flattened and turned negative for the NASDAQ 100.
- When analysts start to become bearish about future profits the stock market tends to react negatively..
- So far, 77% of the 352 S&P 500 companies that reported results have beaten expectations, a drop from a beat-rate of 82% a year ago.
- Some of the bearishness may prove wrong as the year progresses, given the strength of corporate balance sheets in the US.



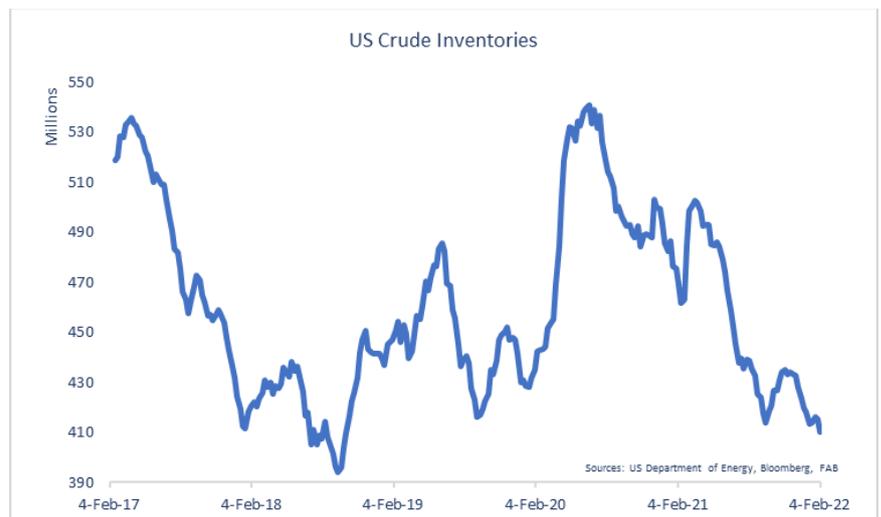
HONG KONG STOCK MARKETS ARE NEAR THEIR CHEAPEST IN HISTORY BY ONE GAUGE



- The Hang Seng index is trading near its book value, suggesting investors are pricing no asset growth for it.
- Meanwhile, the S&P 500 trades at almost 4.5 times its book value.
- Concerns about Chinese intervention and a zero-Covid policy, which prompted new restrictions last week, have weighed on the market.
- Downward momentum from the US and other global markets as well as the prospects of rising Fed rates could continue to weigh on Hong Kong stocks in the near term.

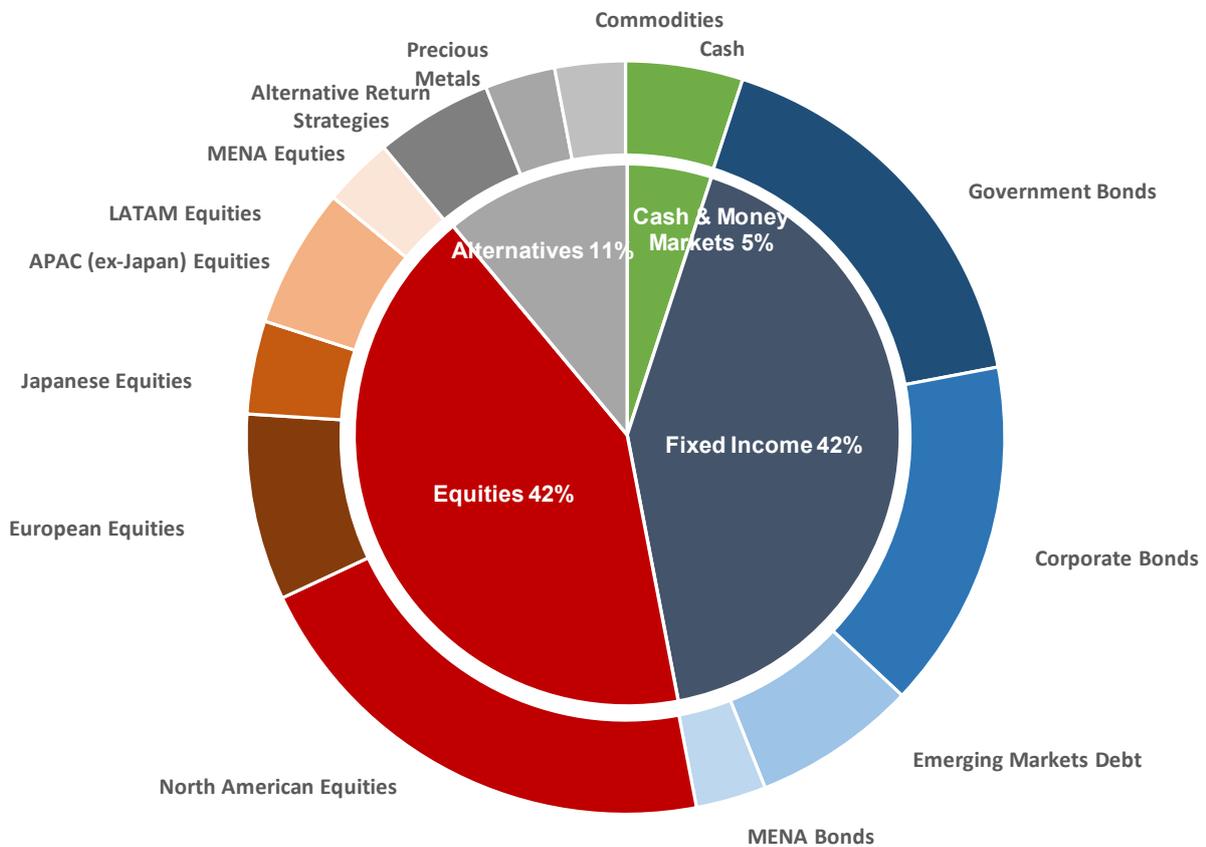
US OIL INVENTORIES ARE NEAR THEIR LOWEST SINCE 2014 AS DEMAND RECOVERS

- Brent crude delivered in Europe rose to 97.59/barrel in the spot market on Friday, the highest since 2014.
- The International Energy Agency last week released a report revising upward its demand estimates for the past 15 years.
- The OPEC+ countries are falling short of their targeted production by some 800,000 barrels/day, according to some estimates.
- The higher crude prices continue to add pressure to inflation and could prompt the Fed to be more hawkish.





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 or be relied on in connection with any contract therefore. Anyone proposing to rely on or use the information contained in this publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts.

This report is provided on a confidential basis for informational purposes only and is 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 unauthorised use or disclosure of this document is prohibited.

The information in this report reflects prevailing conditions and our views as of this date, 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 completeness 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 consequential loss or damage which may be sustained because of the use of the information contained and/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 exclusion of 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, market or 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 investment 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 or otherwise 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 or representation 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 associated 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 potential purchasers should obtain the investment offering materials, which include a description of the risks, fees and expenses and ensure that they fully understand the potential risks and rewards of that transaction (including, without limitation, all financial, legal, regulatory, tax and accounting consequences of entering into the transaction and an understanding as to how

the transaction will perform under changing conditions) and that they independently determine that the transaction is appropriate for them given their objectives, experience, financial and operational resources and other relevant circumstances. Potential purchasers should 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 any accounting, tax, regulatory or legal advice. FAB is licensed by the Central Bank of the UAE.

London: FAB London Branch is Authorized by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the 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 a credit 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 basis and/or may not be eligible for sale to all investors. This report is for distribution only under such circumstances 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 warranty, express or implied, is made 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 numerous assumptions. 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 or provide 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 identifying the risk to which you are exposed may be difficult 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 arising from 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/invest> Please contact your relationship manager