

For inquiries related to this article, please contact:

Alain.Marckus@bankfab.com

Christofer.Langner@bankfab.com

28 July, 2020

Risk asset prices stand their ground

◆ Gold reached a high of \$1,980.57/oz in Asia this morning, since correcting to \$1,935.40

◆ The Dollar Index has steadied (93.748), after recent steep falls

◆ The global pandemic is seeing localized accelerations, but with investors staying calm

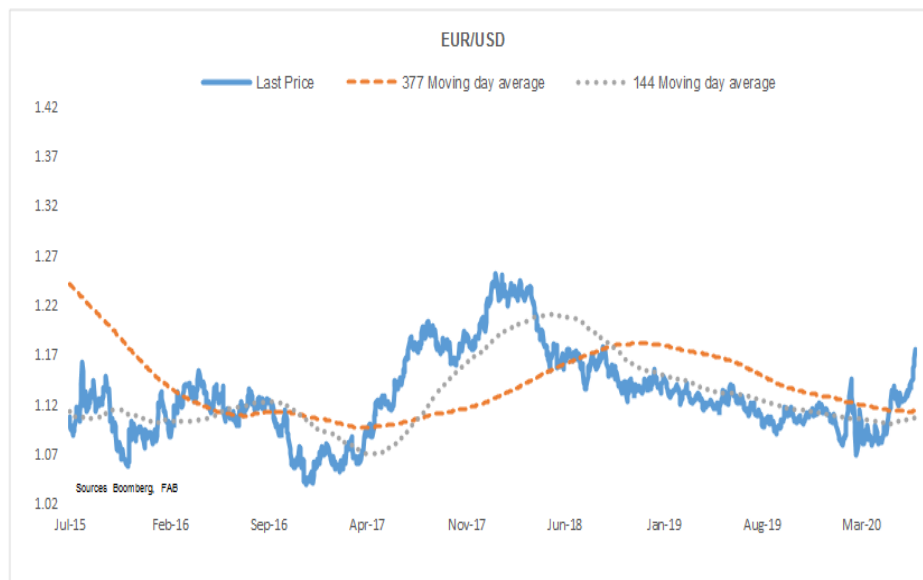
◆ The reading of the tea leaves after the Fed's policy deliberations will be key

◆ The bellwether S&P500 closed 0.7% ahead last night, with a moderate fall slated for the open

◆ Economic data and outlooks after 2Q GDP data from the US and Eurozone will be instructive

Coronavirus deaths data in effect tells us what was happening with infections just under three weeks ago, but is much 'harder' than current estimated infections. We like the way the Financial Times follows this, tracking this as a rolling average of the last seven days. Having accepted the number is steadily increasing (and stands at 5,654 for the latest seven days), probably the best comparison in time would be the peak 6,754 deaths logged for the seven days to 16th April. Brazil is still driving the Latin America total (46% of deaths), while the US's share has been edging upwards, and stands at 16% of the total. **Global investors are standing firm with the world's central banks, and have so far accepted the second wave of the virus.**

Today's chart shows the Euro/USD rate, and how it has broken-out to the upside. Similarly the yen has been strengthening, and now even Brexit-affected sterling may have broken upwards vs. the dollar. The composition of



the Dollar Index was recently euro (57.6%), yen (13.6%), and sterling (11.9%). So the main driver in weakness in the index has been supposed strength in the euro, followed by firmness in the yen and sterling. What is perhaps most instructive is that - and we know that the Euro 750 billion recovery plan agreed last week demonstrated some degree of unity in the bloc - those currencies have been able to strengthen against the US dollar despite their remaining (often considerable) structural and economic problems. When one considers this, the downturn in the US dollar has been solidly underlined. However the euro may have run a bit too far in the short-term. **Solid support for the euro exists at the (now rising) 377-day moving average.**

Markets have already interpreted recent Fed pronouncements as no increase in Fed funds until about 2025. Such has been the seriousness of what the Fed (and other major central banks) have had to deal with. We do not expect the Fed to move to negative rates, and its officials have made that clear, but prominent in their toolbox is more precise yield curve control. **A move to negative rates would cause havoc for US banks, similar to**

what has occurred in Japan and the Eurozone.

At this moment the FAB Asset Allocation Committee is still structurally overweight in gold. It does accept, however, that there could be some 'roundaphobia' at the \$2,000/oz level, should that be seen in the days to come. **So-called roundaphobia makes no sense, but it definitely exists in the minds of investors, hence is seen in markets.**

After 135 sets of US second quarter results (out of 497 for the S&P500), the average sales surprise was +2.85%, and the average earnings surprise was 15.13%, both these being improvements on the tallies from a few days ago. As alluded to yesterday, this is consistent with recent net-positive macro-economic data surprises. **While various global economies could still be pulled off-track in the immediate months to follow in the event of worsening pandemic conditions, we would emphasize that investors and their advisors have in any case essentially written-off the current year.**

Investment Strategy Update

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: GB245 3301 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 for information relating to subscription, redemption, dividends, client eligibility and/or any other information relating to the investment products.