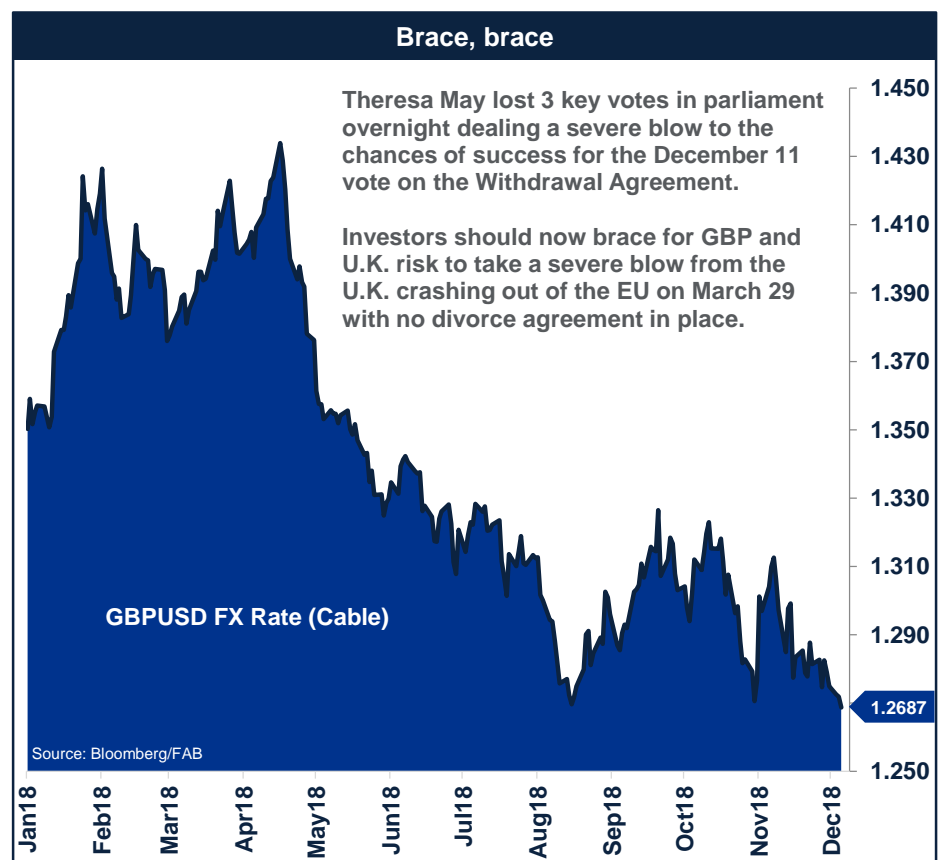


## Daily Market Chatter

### Macro Strategy View: The Brexit Bell Tolls

- Spotlight is back on Brexit this morning with U.K. risk asset sentiment having descended back into negative territory overnight after Prime Minister May lost three key votes in parliament. The chances of May's EU Withdrawal Agreement being passed by parliament in the December 11 vote seem slimmer than ever and her position as prime minister appears to have been significantly weakened. As we have opined previously, the greatest threat to Mrs. May is now domestic rather than foreign.



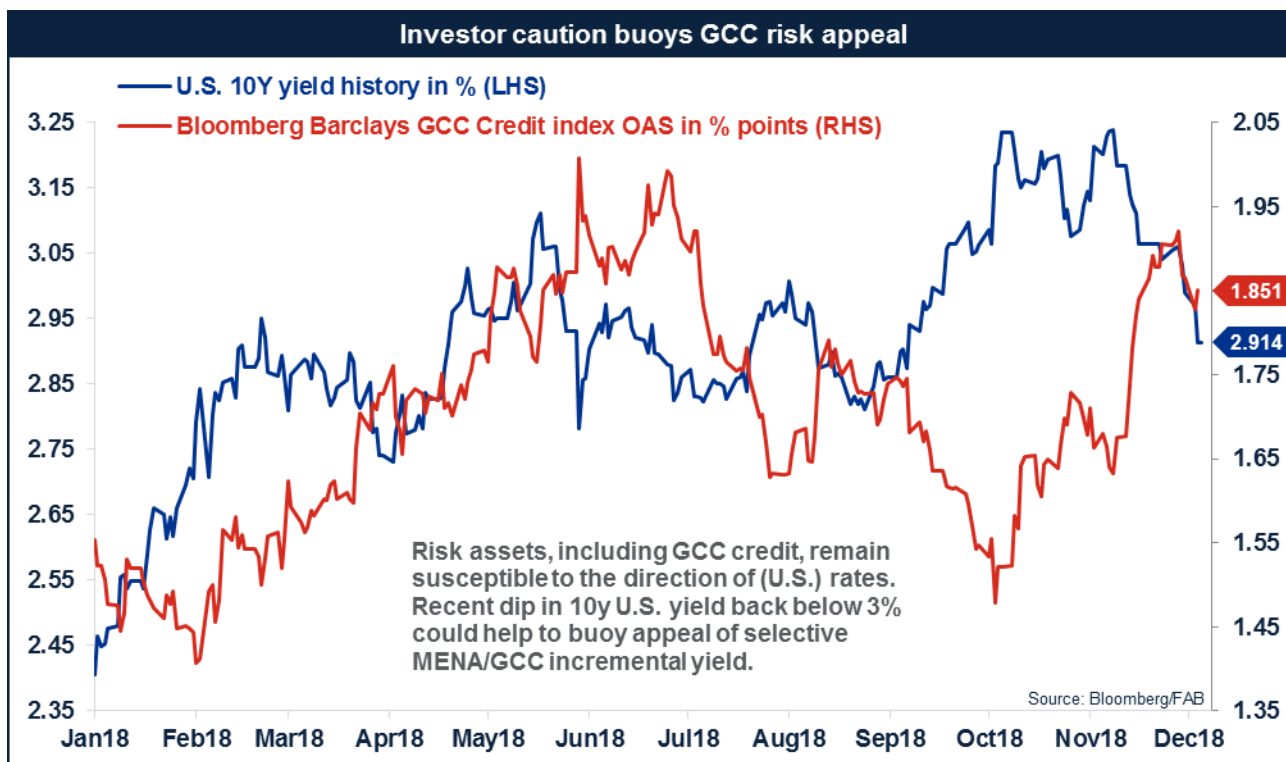
- All of this comes after – and wipes out – the positive market reaction to the European Court of Justice statement suggesting that the U.K. could unilaterally reverse the Brexit decision ‘until such time as the withdrawal agreement is formally concluded’. GBP rallied late in the European session before being clobbered again as May lost the 3 votes.
- While we continue to err on the side of caution as far as our thoughts on likely Brexit outcomes are concerned and now believe that there is a meaningful risk that when the December 11 vote fails – as it seems certain to do – the U.K. will be left facing the prospect of crashing out of the EU on March 29 with no divorce deal in place. If this were to happen, the Bank of England has suggested that there would be a severe hit to U.K. economy, with house prices declining by as much as 30% and sterling depreciating by as much as 25%.

5<sup>th</sup> December 2018

Simon Ballard  
 Macro Strategist

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- Such heightened uncertainty surrounding Brexit and the near-term U.K. political landscape suggests to us that investors should continue to trade U.K. risk from the flat/short side.
- Meanwhile global markets are trading with a more cautious bias this morning. The optimism that followed the G20 meeting at the weekend amid assumptions of a U.S./China trade accord has begun to fade again. Indeed, we conjectured late last week that history should serve as a warning and that with many previous G7, 10, 20 meetings having failed to deliver on a grand scale, investors should be braced for disappointment. QED.



### Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.79%	-3.0	-10.3	-24.1	+64.4	+58.1
10Y	2.91%	-5.6	-14.4	-28.7	+56.3	+50.9
30Y	3.17%	-8.1	-14.7	-25.5	+44.2	+43.4

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	292.5	-4.0	-10.4	-24.6	+72.5	+68.1
10Y	297.8	-5.1	-13.5	-28.6	+61.0	+58.0
30Y	305.2	-6.7	-13.8	-26.7	+51.8	+51.0

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1343	-0.10%	+0.48%	-0.56%	-4.08%	-5.51%
GBP USD	1.2719	-0.05%	-0.22%	-2.47%	-5.39%	-5.88%
USD JPY	112.77	-0.78%	-0.90%	-0.37%	+0.15%	+0.07%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.3875	+2.61%	+2.24%	+1.42%	+40.14%	+41.84%
USD INR	70.5050	+0.07%	-0.40%	-3.58%	+9.51%	+10.39%
USD IDR	14,292.0	+0.34%	-1.54%	-4.57%	+5.72%	+5.34%

Source: Bloomberg

## MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	435.3	+10.3	-6.7	+40.0	+97.7	+106.6
Sovx CEEMEA	92.2	+0.0	-7.1	+6.3	+47.9	+59.5
Itrax Xover	328.9	+8.4	-10.4	+44.4	+100.7	+95.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.0	-0.8	-5.0	+0.8	+4.4	+5.3
Kuwait 5Y	65.8	+1.0	+1.0	+1.0	+0.9	+1.9
Dubai 5Y	120.6	-0.7	-3.5	+0.0	-6.8	-1.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	73.3	-1.6	-8.6	-0.6	-27.7	-27.7
KSA 5Y	89.7	-1.9	-12.7	-2.0	+1.0	-2.0
Bahrain 5Y	281.3	-17.2	-20.0	+9.8	+5.7	+4.7

Source: Bloomberg

## Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	53.25	+0.57%	+3.28%	-15.61%	-7.58%	-11.87%
Brent Oil \$/bbl	62.08	+0.63%	+3.11%	-15.16%	-1.24%	-7.16%
Gold spot \$/oz	1,238.5	+0.64%	+1.93%	+0.57%	-2.15%	-4.93%
Silver spot \$/Troy oz	14.529	+0.98%	+2.68%	-0.77%	-9.78%	-14.22%
Aluminium 3MO \$	1,974.0	+0.00%	+2.25%	+0.05%	-4.59%	-12.96%
Nickel 3MO \$	11,150	-0.89%	+3.48%	-6.54%	-2.06%	-12.62%
Copper 3MO \$	6,209	-1.37%	+1.43%	-1.18%	-9.04%	-14.32%

Source: Bloomberg

## Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
<b>GLOBAL</b>						
Dow Jones Inds. Avg	25,027	-3.10%	+1.12%	-1.71%	+3.50%	+1.25%
S&P 500	2,700	-3.24%	+0.67%	-1.40%	+2.68%	+0.99%
Nasdaq Composite	7,158	-3.80%	+1.07%	-2.33%	+5.86%	+3.69%
Nikkei	22,036	-2.39%	+0.38%	+0.63%	-2.59%	-3.20%
Hang Seng	27,260	+0.29%	+3.53%	+5.11%	-5.49%	-8.89%
Shanghai	2,666	+0.42%	+3.55%	+0.02%	-19.30%	-19.39%
Mumbai Sensex	36,134	-0.29%	+1.75%	+3.39%	+10.16%	+6.10%
DAX	11,335	-1.14%	+0.23%	-1.39%	-13.13%	-12.25%
CAC 40	5,013	-0.82%	+0.59%	-1.74%	-6.75%	-5.65%
FTSE 100	7,023	-0.56%	+0.08%	-1.14%	-4.16%	-8.65%
DJ Stoxx 50	3,189	-0.80%	+0.72%	-0.87%	-10.68%	-8.98%
FTSE MIB Index	19,353	-1.37%	+1.06%	+0.38%	-13.66%	-11.44%
SMI Index	9,085	-0.24%	+2.10%	+0.85%	-2.20%	-3.16%
<b>MENA</b>						
Abu Dhabi – ADX	4,898	+2.68%	-1.25%	-1.49%	+14.88%	+11.36%
Dubai – DFM	2,676	+0.27%	-0.88%	-4.26%	-21.15%	-20.60%
Saudi Arabia	7,905	-0.15%	+4.38%	+1.32%	+11.86%	+9.39%
Qatar	10,603	+1.45%	+2.39%	+1.38%	+34.00%	+24.40%
Bahrain	1,326	+0.00%	+0.42%	+0.79%	+4.22%	-0.43%
Kuwait (Premier Market)	5,369	+0.79%	+0.67%	+2.00%	+13.50%	+8.56%
Oman	4,535	+1.90%	+3.37%	+2.71%	-11.25%	-11.07%
Egypt	12,625	-2.39%	-4.46%	-4.61%	-12.70%	-15.94%
Turkey	93,880	-1.15%	+0.39%	-2.15%	-11.65%	-18.60%

Source: Bloomberg

## Overnight market headlines

### Global News

- China says it'll quickly implement trade agreements with US; Trump says if no China trade deal possible, 'I am a Tariff Man'
- May loses power over Brexit endgame in war with parliament; London to lose \$900bn to Frankfurt due to Brexit, German finance group claims
- Stocks slide on falling US yields, trade worries; Oil halts advance as Saudi Arabia says OPEC deal remains unresolved

### Middle East & Africa News

- UAE's economic growth gains speed
- India and UAE to trade in their currencies
- Emirates Global Aluminium seeks multi-billion debt refinancing
- Alghosbi seeks settlement under Saudi bankruptcy law in bid to resolve 10-year legal saga
- Aramco awards Baker Hughes contract for oil production boost
- GEMS Education repays \$200m sukuk
- Banking stocks lift Abu Dhabi index by 2.7%, its biggest gain in two years; Egypt hits 18-month low
- Egypt foreign reserves rise to \$44.513bn at end-November

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### Simon Ballard

**Executive Director & Macro Strategist**

**Market Insight & Strategy**

**FAB Global Markets**

Tel: +971-2-6110157

Mobile: +971-50-9332806

Email: [Simon.Ballard@bankfab.com](mailto:Simon.Ballard@bankfab.com)

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