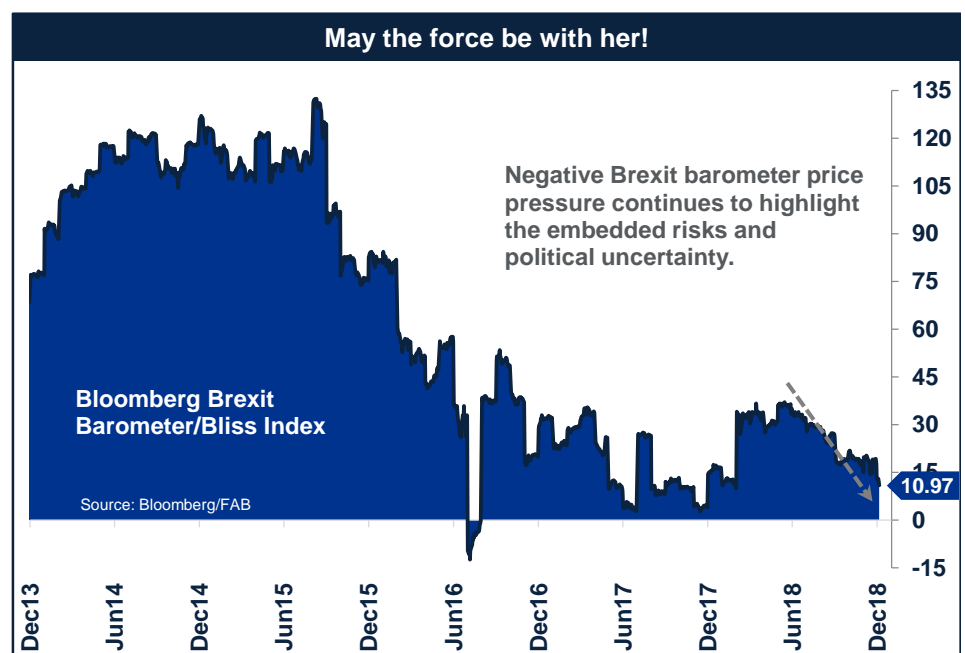


## Daily Market Chatter

### Macro Strategy View: There's a Chill in the Air

- Risk aversion – or at least a more defensive investor bias – is enveloping global markets again early Thursday. Weaker sentiment is being fueled by persistent concerns over U.S./China trade tensions and the negative ramifications this carries for the global growth outlook, all combined with the assumption that the FOMC will raise the Fed funds rate again later this month (on the 19th) and then perhaps further in 2019. The net effect of this scenario has been the sharp flattening of the U.S. yield curve, sparking concerns of future recessionary pressures.
- Oh, and there is the not-insignificant issue of Brexit in the U.K. also weighing on market sentiment. Not only does this damp the macro outlook for the U.K. economy as Theresa May makes seemingly futile efforts to muster support for her Withdrawal Agreement, but the associated political instability to May's position will likely fuel broad investor caution toward U.K. risk assets. Brace yourselves for the parliamentary vote on the Withdrawal Agreement scheduled for December 11.

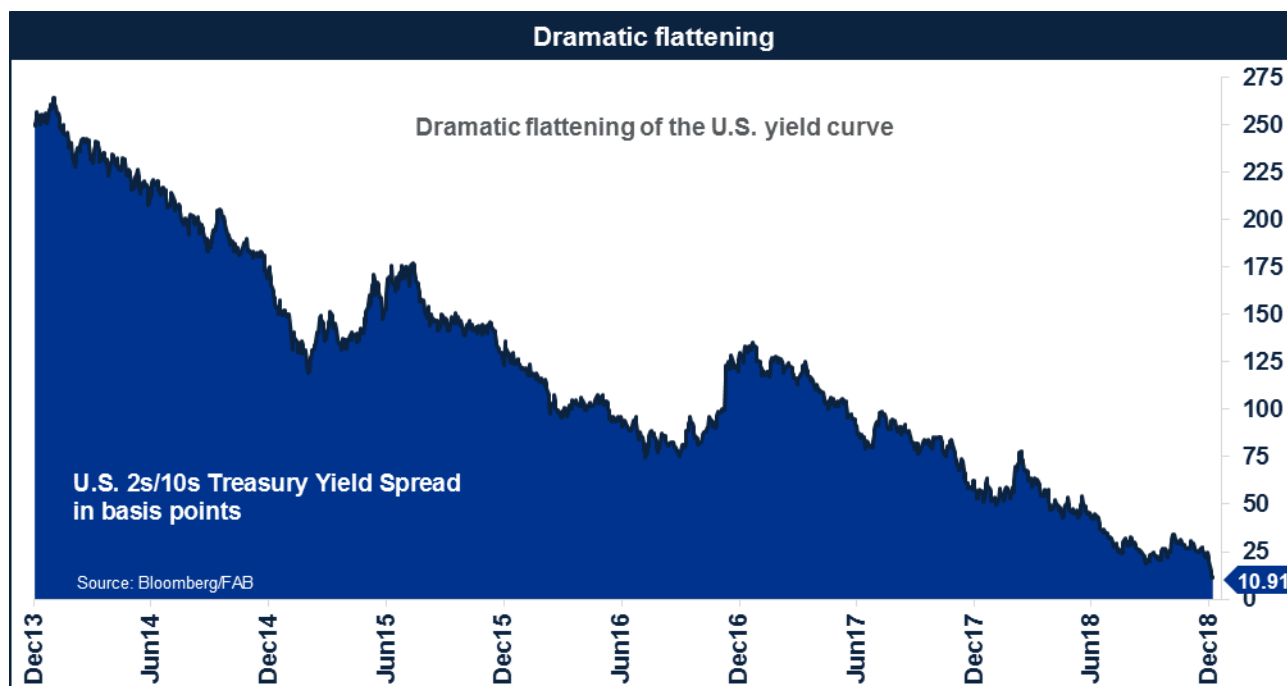


- Back to the yield curve though... The market is right to be concerned by flat, if not inverted, yield curves as traditionally they presage future recession. However, we would conjecture that risk asset weakness over the coming days and weeks could create selective buying opportunities as we enter 2019.
- We believe that recession pressures could be reasonably short-lived, or at least alleviated in the near-term. The Fed, having raised rates 200bps since end of 2015 maintains a clear tightening bias for now., but we would suggest that having those 200bps back at its disposal, if required, leaves it able to manage rate expectations and to head off any emerging recessionary pressures. Moreover, the ECB has also expressed its ability to ease policy again if the macro environment requires it. Any such prospect of monetary easing should be a fillip for risk appetite in our opinion, which we would expect to extend to MENA/GCC markets. to Reuters.

6<sup>th</sup> December 2018

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- Meanwhile we are seeing renewed price volatility in the oil market though, even as OPEC appears to be close to agreeing new production cuts in order to underpin prices. Meeting in Vienna yesterday, the OPEC delegation led by Saudi Arabia and Russia is reported to be recommending a 6-month output reduction of around 1m barrels per day. This said, oil prices have opened up weaker again this morning. Brent is quoted \$61.30, down another 26 cents, at the time of writing.
- Clearly the market lacks conviction for now that sufficient production cuts will be implemented in order to underpin prices next year and avoid excess supply. We would suggest that near-term oil market reaction to the debate will depend as much on how OPEC communicates its future production intentions as it will on the absolute production levels themselves.

### Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.79%	+0.0	-7.8	-26.8	+66.1	+58.1
10Y	2.91%	+0.0	-14.6	-31.4	+57.5	+50.9
30Y	3.17%	+0.0	-17.3	-27.0	+44.3	+43.4

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	292.3	-0.2	-8.0	-26.9	+73.5	+67.9
10Y	297.5	-0.2	-11.9	-31.1	+61.6	+57.7
30Y	305.3	+0.0	-13.4	-28.6	+52.0	+51.0

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1344	+0.01%	-0.19%	-0.73%	-3.83%	-5.51%
GBP USD	1.2734	+0.12%	-0.71%	-2.79%	-4.92%	-5.76%
USD JPY	113.19	+0.37%	-0.43%	-0.21%	+0.80%	+0.44%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.3254	-1.15%	+1.98%	-0.59%	+38.32%	+40.21%
USD INR	70.4662	-0.06%	-0.21%	-3.47%	+9.22%	+10.33%
USD IDR	14,403.0	+0.78%	-0.87%	-2.71%	+6.38%	+6.15%

Source: Bloomberg

## MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	435.3	+10.3	-1.9	+40.0	+97.7	+106.6
Sov x CEEMEA	92.2	+0.0	-7.1	+6.3	+47.4	+59.5
Itrax Xover	328.9	+8.4	-14.6	+48.7	+93.7	+95.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	66.9	-0.1	-3.8	+0.8	+0.7	+5.3
Kuwait 5Y	65.8	+0.0	+1.0	+1.0	-0.9	+1.9
Dubai 5Y	121.1	+0.5	-6.2	-0.5	-8.7	-1.4

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	73.9	+0.7	-7.0	+1.9	-29.3	-27.0
KSA 5Y	90.1	+0.4	-8.6	-0.6	-3.4	-1.6
Bahrain 5Y	281.5	+0.2	-23.1	+9.8	+3.4	+4.9

Source: Bloomberg

## Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	52.89	-0.68%	+5.17%	-14.98%	-5.49%	-12.46%
Brent Oil \$/bbl	61.56	-0.84%	+4.77%	-14.65%	+0.56%	-7.94%
Gold spot \$/oz	1,237.3	-0.10%	+1.32%	+0.82%	-2.06%	-5.03%
Silver spot \$/Troy oz	14.503	-0.18%	+1.23%	-0.24%	-9.15%	-14.38%
Aluminium 3MO \$	1,969.0	-0.25%	+1.92%	-0.30%	-4.04%	-13.18%
Nickel 3MO \$	11,225	+0.67%	+3.94%	-4.47%	+3.31%	-12.03%
Copper 3MO \$	6,175	-0.55%	-0.40%	-0.26%	-5.62%	-14.79%

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	21,919	-0.53%	-1.16%	-1.03%	-1.16%	-3.71%
Hang Seng	26,820	-1.62%	+0.51%	+2.67%	-4.98%	-10.36%
Shanghai	2,650	-0.61%	+1.85%	-0.36%	-19.56%	-19.88%
Mumbai Sensex	35,884	-0.69%	+0.47%	+2.55%	+10.08%	+5.37%
DAX	11,200	-1.19%	-0.87%	-2.47%	-13.84%	-13.29%
CAC 40	4,944	-1.36%	-0.78%	-2.58%	-8.00%	-6.93%
FTSE 100	6,922	-1.44%	-1.18%	-1.69%	-5.80%	-9.96%
DJ Stoxx 50	3,150	-1.22%	-0.57%	-1.78%	-11.55%	-10.09%
FTSE MIB Index	19,329	-0.13%	+1.12%	+0.31%	-13.35%	-11.55%
SMI Index	8,940	-1.60%	+0.51%	-0.58%	-3.97%	-4.71%
<b>MENA</b>						
Abu Dhabi – ADX	4,830	-1.38%	-1.04%	-3.46%	+12.05%	+9.82%
Dubai – DFM	2,632	-1.63%	-1.97%	-6.52%	-22.46%	-21.90%
Saudi Arabia	7,884	-0.27%	+3.29%	+0.91%	+12.21%	+9.10%
Qatar	10,590	-0.12%	+2.52%	+2.05%	+35.80%	+24.25%
Bahrain	1,322	-0.28%	-0.20%	+0.64%	+4.53%	-0.71%
Kuwait (Premier Market)	5,390	+0.39%	+0.93%	+2.40%	+14.75%	+8.98%
Oman	4,552	+0.39%	+3.56%	+2.97%	-10.58%	-10.73%
Egypt	12,587	-0.30%	-5.43%	-6.32%	-12.26%	-16.20%
Turkey	93,970	+0.10%	-0.11%	-0.80%	-10.76%	-18.52%

Source: Bloomberg

## Overnight market headlines

### Global News

- Fed says growth still modest or moderate while optimism ebbs
- BOJ's Kuroda dismisses chance of near-term rate hike
- May's Brexit deal under fire as legal advice stiffens opposition; UK economy risks severe damage without orderly Brexit, warns CBI
- India's central bank dials back hawkish tone as inflation eases; RBI holds rates, keeps 'calibrated tightening' stance
- US stock futures fall, Asia follows after Canada arrests Huawei CFO on US request; 10-year Treasury yield dips below 2.90%; Oil holds losses

### Middle East & Africa News

- Moody's says GCC banks' stable outlook reflects improving operating conditions and strong capital buffers
- Fitch Ratings keeps 2019 Brent oil price assumption unchanged at \$65/bbl, boosts view for 2020 and 2021; says OPEC+ supply controls key for medium-term oil prices
- UAE economy to grow more than 3% in 2019, says economy minister
- Abu Dhabi unveils \$1.1bn infrastructure development projects
- India, UAE sign currency swap deal to boost trade ties
- Saudi's SABIC raises stake in Ar-Razi to 75%, renews JSMC partnership
- Dubai stock market dives on real estate, oil hurts major Gulf markets

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