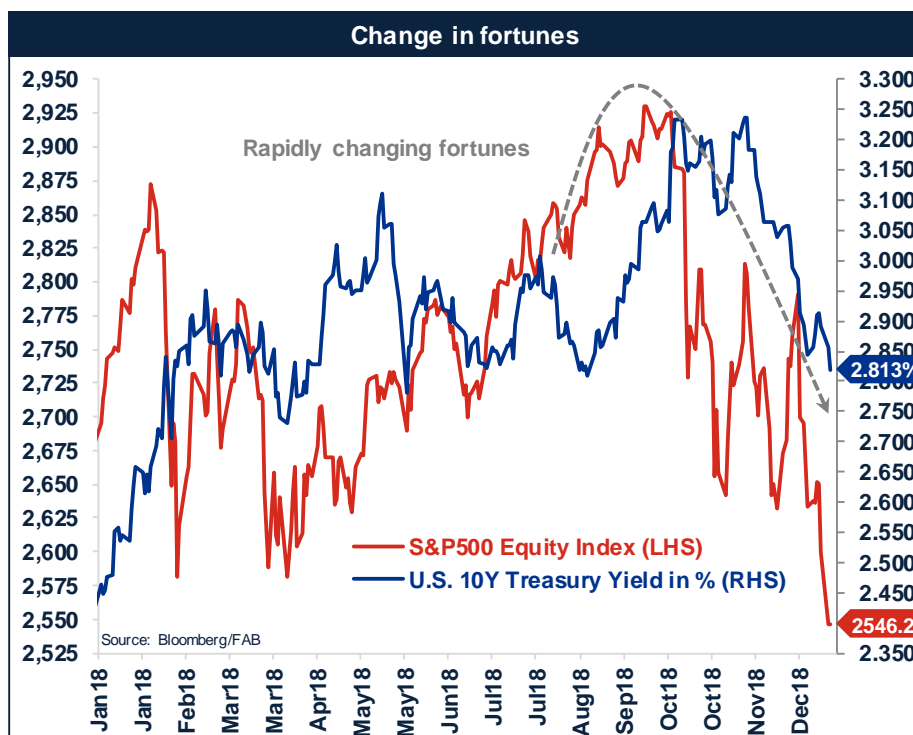


Daily Market Chatter

Macro Strategy View: A Dick Turpin Moment

- All eyes are on the Federal Reserve today ahead of its last interest rate decision of 2018. The futures market is pricing in a near-70% probability of a 25bps rate rise – despite what Mr Trump might argue – and so anything less would be a disappointment for the market.
- But will it stand and deliver? And what message will its rhetoric convey? With the global macro environment clearly facing more challenging conditions over the coming months – trade tariffs' impact on growth, Brexit etc – and the fact that such challenges are already weighing on the global growth outlook, a case could be made for the Fed to wait this time around.

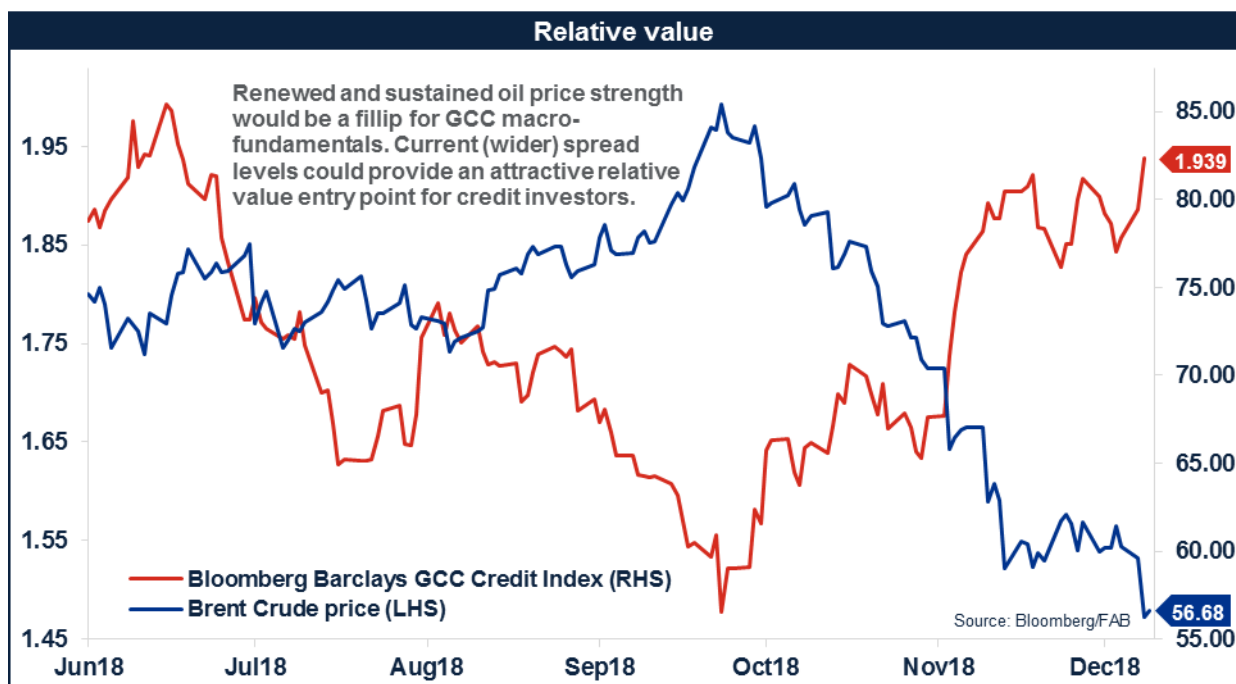


- Assuming a 25bp rate increase though, we would expect the accompanying statement to maintain a clear bias toward data-dependency in setting the future path of monetary policy. As such, some might label today's anticipated rate move as a 'dovish hike'. With the U.S. 10y having rallied back to the 2.81% level overnight and the U.S. 2y yield at 2.65% the market certainly sees yields as anchored in the near-term.
- Talking of a challenging backdrop; after the FOMC, investor attention will then turn to the Bank of England's rate decision on Thursday. While there is absolutely no basis to expect a change in base rate from the BOE, we will be listening closely to what the Bank forecasts for 2019. The parlous – and deteriorating – Brexit situation will be the major hurdle for policy setters next year. Indeed, if Brexit continues to drain life from the U.K. economy as we head toward March 29 2019, we would conjecture that the next move from the BOE could be a rate cut as it tries to underpin consumer spending and the housing market.

19th December 2018

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- Back to today though, while Asian equity markets trading in the red will tend to dampen the tone across the MENA/GCC space, the renewed uptick in oil should prove supportive for GCC risk sentiment. After the recent widening in the Bloomberg Barclays GCC credit index (OAS), as a result of the weaker global growth outlook, oil price decline and the impact of central bank tightening, we maintain the view that the sector offers increasing relative value opportunities, founded on our expectation of an average Brent crude price in 2019 of back up around \$70 per barrel. Now.. back to Fed watching.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.65%	-4.7	-9.5	-22.4	+42.5	+44.0
10Y	2.82%	-4.0	-6.2	-24.5	+35.3	+41.3
30Y	3.07%	-4.5	-5.8	-25.3	+24.8	+32.9

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	273.5	-6.3	-10.2	-27.9	+46.7	+49.1
10Y	284.1	-5.2	-7.4	-28.1	+39.6	+44.3
30Y	292.0	-5.3	-6.8	-28.5	+31.0	+37.8

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1361	+0.11%	+0.39%	-0.81%	-4.05%	-5.36%
GBP USD	1.2639	+0.12%	+1.22%	-1.67%	-5.57%	-6.47%
USD JPY	112.52	-0.27%	-0.76%	-0.03%	-0.33%	-0.15%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.3455	-0.49%	-0.37%	+0.62%	+39.44%	+40.74%
USD INR	70.4462	-1.55%	-1.98%	-1.69%	+10.01%	+10.29%
USD IDR	14,501.0	-0.54%	-0.73%	-0.60%	+6.81%	+6.98%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	430.9	+2.8	-2.9	+11.4	+97.4	+102.2
Sovx CEEMEA	81.0	-3.4	-13.0	-11.1	+45.3	+48.4
Itrax Xover	341.3	-1.1	-5.4	+11.5	+107.8	+108.1

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.0	+0.5	-0.2	-3.1	+4.1	+5.3
Kuwait 5Y	65.8	+0.0	+0.0	+1.0	+4.7	+1.9
Dubai 5Y	132.9	+0.8	+3.6	+8.7	+1.0	+10.5

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	73.1	-0.2	-6.0	-6.0	-30.1	-27.8
KSA 5Y	91.8	+0.1	-3.5	-7.1	-0.4	+0.1
Bahrain 5Y	280.8	+10.0	-18.2	+5.4	-4.3	+4.3

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	46.24	-7.30%	-10.47%	-18.53%	-19.53%	-23.47%
Brent Oil \$/bbl	56.26	-5.62%	-6.54%	-15.77%	-11.82%	-15.87%
Gold spot \$/oz	1,249.4	+0.29%	+0.50%	+2.06%	-0.97%	-4.10%
Silver spot \$/Troy oz	14.640	-0.16%	+0.50%	+1.48%	-9.26%	-13.57%
Aluminium 3MO \$	1,925.0	-0.88%	-0.72%	-0.77%	-7.18%	-15.12%
Nickel 3MO \$	10,835	-1.37%	+0.60%	-4.62%	-8.41%	-15.09%
Copper 3MO \$	5,970	-2.50%	-3.21%	-3.79%	-13.54%	-17.62%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	23,676	+0.35%	-2.85%	-5.36%	-4.36%	-4.22%
S&P 500	2,546	+0.01%	-3.44%	-5.37%	-5.05%	-4.77%
Nasdaq Composite	6,784	+0.45%	-3.53%	-3.48%	-2.58%	-1.73%
Nikkei	21,115	-1.82%	-0.15%	-3.23%	-7.66%	-7.25%
Hang Seng	25,814	-1.05%	+0.17%	-2.11%	-11.76%	-13.72%
Shanghai	2,577	-0.82%	-0.67%	-4.69%	-21.84%	-22.09%
Mumbai Sensex	36,347	+0.21%	+3.41%	+1.60%	+7.42%	+6.72%
DAX	10,741	-0.29%	-0.37%	-4.48%	-18.73%	-16.85%
CAC 40	4,754	-0.95%	-1.08%	-4.64%	-11.68%	-10.51%
FTSE 100	6,702	-1.06%	-1.55%	-4.28%	-11.17%	-12.83%
DJ Stoxx 50	3,040	-0.77%	-0.50%	-3.80%	-15.13%	-13.24%
FTSE MIB Index	18,645	-0.26%	+0.29%	-0.95%	-16.30%	-14.68%
SMI Index	8,528	-0.86%	-2.14%	-3.23%	-9.27%	-9.10%
MENA						
Abu Dhabi – ADX	4,853	+0.51%	+0.78%	-4.46%	+11.14%	+10.34%
Dubai – DFM	2,559	+1.92%	+0.94%	-8.06%	-23.81%	-24.05%
Saudi Arabia	7,943	-0.31%	+1.33%	+5.07%	+10.33%	+9.92%
Qatar	10,489	-0.07%	+0.07%	+1.86%	+27.73%	+23.06%
Bahrain	1,314	-0.38%	-0.27%	+0.59%	+3.58%	-1.31%
Kuwait (Premier Market)	5,359	+0.03%	-0.88%	+1.33%	+12.75%	+8.35%
Oman	4,377	-0.05%	-2.67%	-1.70%	-13.67%	-14.16%
Egypt	13,121	-0.71%	+3.61%	-5.65%	-10.61%	-12.64%
Turkey	91,074	+1.24%	-0.79%	-3.70%	-17.34%	-21.03%

Source: Bloomberg

Overnight market headlines

Global News

- US housing starts rise; single-family segment remains weak
- Trump pressures Fed before meeting, warns against 'another mistake'
- Treasury's Mnuchin says expects January trade talks with China; China embarks on second round of soy buying post Trump-Xi truce
- May pushes no-deal Brexit dangers as splits grow before key vote
- JGBs climb while 10-year treasury yield hits 2.80%; Asian stocks mixed before Fed decision; Crude oil steadies after tumbling 7%, below \$47 a barrel

Middle East & Africa News

- Saudi Arabia projects deficit narrowing to \$34.9bn in 2019 even as spending climbs; King Salman promises economic reforms, fiscal discipline in budget speech
- Saudi Arabia extends SAR 40bn handouts for another year; Finance minister says collected more than SAR 50bn in 2018 from corruption settlements
- Saudi Arabia's Jabal Omar to sell up to 2 billion riyal Sukuk for Mecca project
- UAE's Mubadala, EGA & Dubal Holding to develop water & power plant in Dubai
- ADNOC, Cepsa award engineering contract to Spain's Tecnicas Reunidas
- Dubai wealth fund ICD announces six-month net profit of \$2.7bn
- Gulf stock markets fall on weak oil prices, real estate dampens Dubai
- Morocco keeps benchmark interest rate at 2.25%; IMF approves \$3bn precautionary and liquidity line for Morocco

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