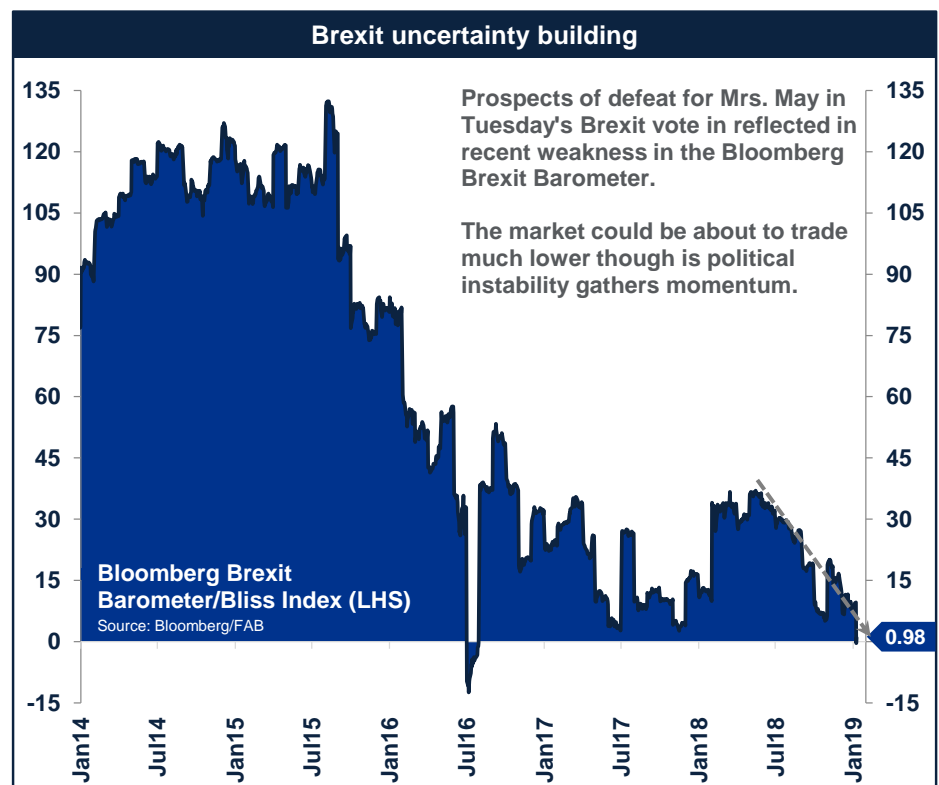


Daily Market Chatter

Macro Strategy View: Treading Cautiously

- Welcome back. The year date may have advanced, but the macro environment facing investors is little changed from that of last year. Global trade and the U.S./Sino dispute continues to weigh on broad market sentiment, while there is little evidence that the U.K. will be able to settle and agree Brexit uncertainties ahead of the March 29 Brexit day deadline.
- A crucial parliamentary vote scheduled for next Tuesday (Jan 15), could set in motion a renewed sell off in GBP and U.K. risk assets more broadly. If prime minister May loses the vote – as widely expected – the U.K. will appear on course to crash out of the EU at the end of Q1, without any new (EU) trading agreements in place. If this is the case, Bank of England analysis suggests a U.K. recession could follow, with sterling depreciating by up to 25% and house prices plummeting by up to 30%. Volatility seems set to be the buzzword for (U.K.) markets next week.



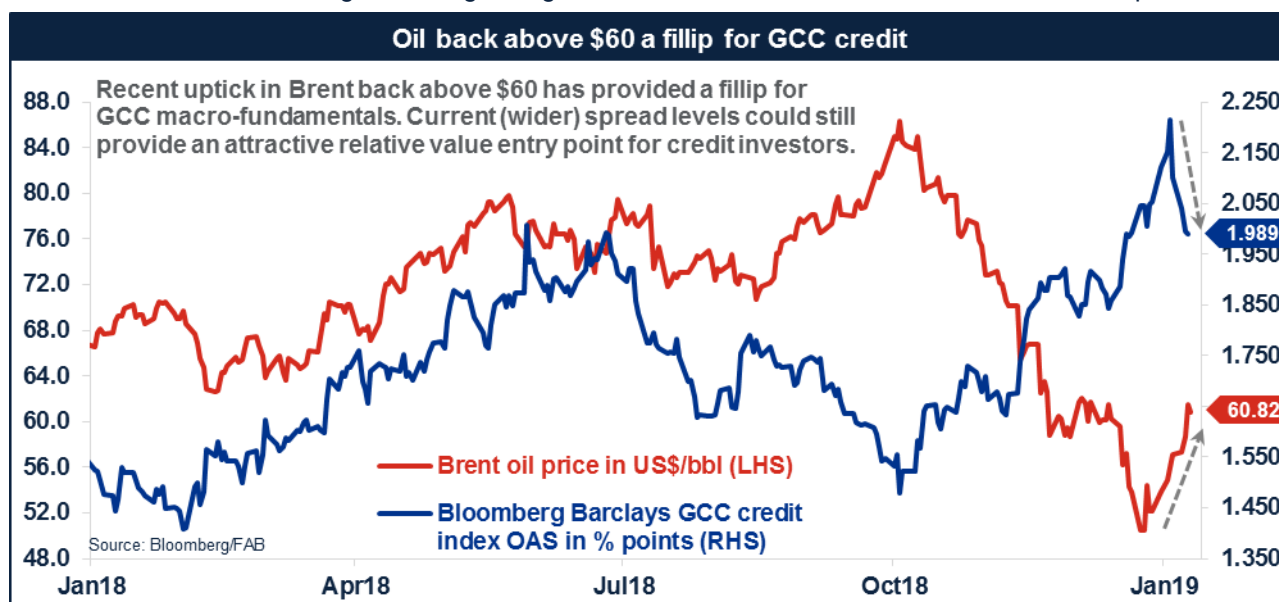
- Taking global markets more broadly, investor bias remains cautious at best, as reflected in the recent rally in U.S. treasuries, which saw the 10y yield touch a low of 2.5429% on January 4 according to Bloomberg data. This comes in the wake of a more dovish tone in the rates market, which has swung from pricing in further Fed tightening during the course of 2019, to now facing the possibility of interest rate cuts by late this year or early 2020 as the macro backdrop softens. In addition, concerns that the partial U.S. government shutdown could continue for some time are also weighing on sentiment.

10th January 2019

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- While a lower yield structure may often be seen as manna from heaven for credit markets, risk appetite is currently being kept in check by the weakening global macroeconomic backdrop. The latter is perceived as the result of the recent shift toward quantitative tightening (led by the Fed) after years of quantitative easing, as well as concerns over the outlook for global trade amid U.S./China tariffs, and led to the World Bank cutting its 2019 global growth forecast earlier this week to 2.9% from the prior 3%.



- While global markets remain susceptible to headline risk and will likely grab optimistically onto any suggestion that a U.S./China trade deal may yet be reached, the overarching veil of caution is again evident this morning. Asian equities are mixed, with Japan leading downside moves while U.S. equity futures show a weaker bias. This said, we continue to advocate fundamental relative value in GCC credit and note the 22bp tightening in the Bloomberg Barclays GCC credit index since the beginning of the year. The index currently sits at an OAS of 199bps, having touched 221bps in the opening sessions of this year and after closing 2018 at 212bps.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.55%	-3.2	+8.9	-16.7	+21.8	+3.7
10Y	2.71%	-1.8	+9.0	-14.8	+15.3	+2.7
30Y	3.00%	-0.3	+5.2	-12.6	+10.5	-1.1

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	262.8	-2.3	+9.5	-17.5	+25.8	+5.8
10Y	273.9	-1.9	+8.8	-15.1	+19.9	+3.3
30Y	283.6	-1.2	+5.4	-13.6	+14.9	-0.2

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1543	+0.89%	+1.75%	+1.65%	-3.39%	+0.66%
GBP USD	1.2789	+0.57%	+1.44%	+1.82%	-5.32%	+0.27%
USD JPY	108.17	-0.53%	-0.65%	-4.55%	-2.93%	-1.39%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.4772	-0.15%	+1.41%	+2.85%	+44.14%	+3.55%
USD INR	70.4650	+0.37%	+0.41%	-1.22%	+10.80%	+0.99%
USD IDR	14,125.0	-0.16%	-2.30%	-2.95%	+5.13%	-1.84%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	412.1	-6.6	-31.9	-22.1	+94.8	-33.2
Sovx CEEMEA	73.9	-1.5	-6.4	-17.9	+38.9	-4.8
Itrax Xover	333.7	-10.4	-27.6	+5.7	+103.4	-19.0

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.8	-0.9	-2.5	+1.3	+13.4	+0.7
Kuwait 5Y	65.2	-0.4	-0.6	-0.6	+9.0	-0.6
Qatar 5Y	80.2	-1.9	-5.9	+2.7	-11.1	-2.2
KSA 5Y	97.7	-5.3	-13.4	+3.6	+12.8	-7.0
Dubai 5Y	133.0	-0.1	-3.9	+1.9	+19.1	+3.8
Oman 5Y	339.4	-3.1	+11.5	+96.4	+95.4	+15.3
Bahrain 5Y	314.2	-0.6	+2.9	+21.1	+29.9	+22.6

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	52.36	+5.18%	+12.51%	+2.67%	-17.63%	+15.30%
Brent Oil \$/bbl	61.44	+4.63%	+11.89%	+2.45%	-11.21%	+14.20%
Gold spot \$/oz	1,293.6	+0.64%	+0.70%	+3.95%	-1.77%	+0.86%
Silver spot \$/Troy oz	15.754	+0.63%	+1.49%	+8.42%	-7.20%	+1.67%
Aluminium 3MO \$	1,852.5	-0.64%	+3.09%	-5.24%	-13.94%	+0.35%
Nickel 3MO \$	11,250	+0.63%	+3.45%	+3.12%	-11.38%	+5.24%
Copper 3MO \$	5,958	+0.88%	+1.99%	-3.04%	-16.11%	-0.12%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	23,879	+0.39%	+2.28%	-2.23%	-5.87%	+2.36%
S&P 500	2,585	+0.41%	+2.99%	-2.00%	-5.94%	+3.12%
Nasdaq Composite	6,957	+0.87%	+4.37%	-0.90%	-2.75%	+4.85%
Nikkei	20,427	+1.10%	+1.74%	-3.73%	-14.13%	+2.06%
Hang Seng	26,462	+2.27%	+5.30%	+2.76%	-14.84%	+2.39%
Shanghai	2,544	+0.71%	+3.21%	-1.56%	-25.64%	+2.02%
Mumbai Sensex	36,213	+0.64%	+0.90%	+3.58%	+5.17%	+0.40%
DAX	10,893	+0.83%	+2.96%	+2.55%	-17.98%	+3.17%
CAC 40	4,814	+0.84%	+2.65%	+1.50%	-12.55%	+1.75%
FTSE 100	6,907	+0.66%	+2.56%	+2.75%	-10.87%	+2.65%
DJ Stoxx 50	3,070	+0.50%	+2.57%	+1.77%	-14.95%	+2.29%
FTSE MIB Index	19,179	+0.94%	+4.63%	+4.18%	-17.18%	+4.67%
SMI Index	8,688	+0.67%	+3.07%	+1.60%	-8.79%	+3.07%
MENA						
Abu Dhabi – ADX	4,953	+0.53%	+1.78%	+3.42%	+8.16%	+0.78%
Dubai – DFM	2,540	+0.44%	+0.76%	+1.59%	-27.42%	+0.40%
Saudi Arabia	8,147	+1.11%	+4.57%	+4.18%	+11.59%	+4.09%
Qatar	10,535	+0.73%	+2.48%	-0.20%	+16.43%	+2.29%
Bahrain	1,338	+0.45%	+0.66%	+1.55%	+1.55%	+0.08%
Kuwait (Premier Market)	5,387	-0.25%	+1.55%	-0.27%	+8.06%	+8.92%
Oman	4,311	-0.00%	+0.21%	-4.28%	-15.47%	-0.30%
Egypt	13,366	-0.28%	+1.22%	+7.13%	-12.03%	+2.53%
Turkey	91,157	+0.51%	+2.58%	-1.16%	-19.75%	-0.12%

Source: Bloomberg

Overnight market headlines

Global News

- Fed 'can afford to be patient' about future rate hikes, FOMC minutes show
- Fed policymakers speaking Wednesday say US rate hikes can wait for now
- Trump walks out of shutdown meeting, calling talks 'total waste of time'; Fitch warns of possible cut to US triple-A rating if shutdown continues
- US Trade Representative office says China pledges to buy 'substantial amount' of US goods; China says latest round of US trade talks were 'extensive, deep'
- China's December factory-gate inflation at 0.9% year-on-year, lowest since September 2016
- Britain's May suffers parliament defeat as Brexit debate resumes; Hammond says no-deal Brexit would harm its people
- Stock rally pauses as Asia falls; treasuries gain; Oil takes breather after bull market breakout on OPEC and trade

Middle East & Africa News

- Saudi Arabia sells \$7.5bn of bonds in a dual-tranche deal; gets more than \$27bn in orders
- Saudi Aramco to issue first ever global bond in second quarter
- Saudi Arabia announces rise in oil reserves after external audit
- Dubai Islamic Bank mandates banks for an AT1 RegS Sukuk
- HSBC says new \$250m HQ shows commitment to the UAE
- Struggling Abraaj gets 70% of Nigerian firm by converting loan
- Oil lifts Saudi to 5-month high, most Gulf markets up

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