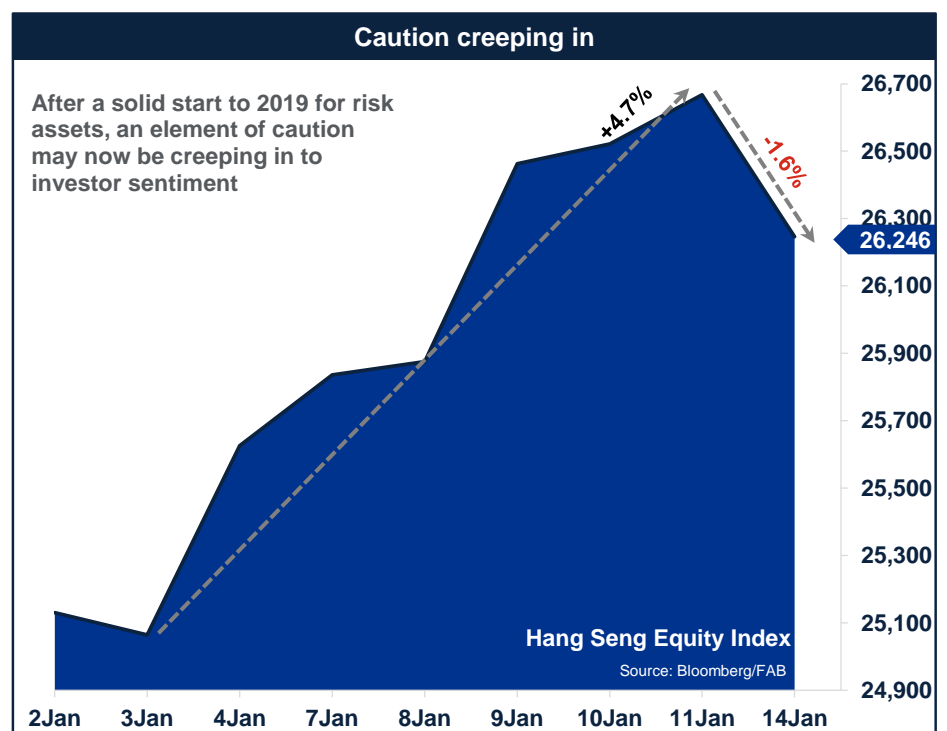


Daily Market Chatter

Macro Strategy View: Brace, Brace

- January may have started on a firm footing with risk assets generally rallying, but a confluence of concerns is now beginning to dampen sentiment. And rightly so one might argue. Asian equity and credit markets have traded with a weaker bias overnight and are leading U.S. and European equity futures south. At the time of writing the Hang Seng equity index is quoted 1.6% lower and the iTraxx Asia ex-Japan credit index is 0.7bp wider as of 10.40am UAE time.

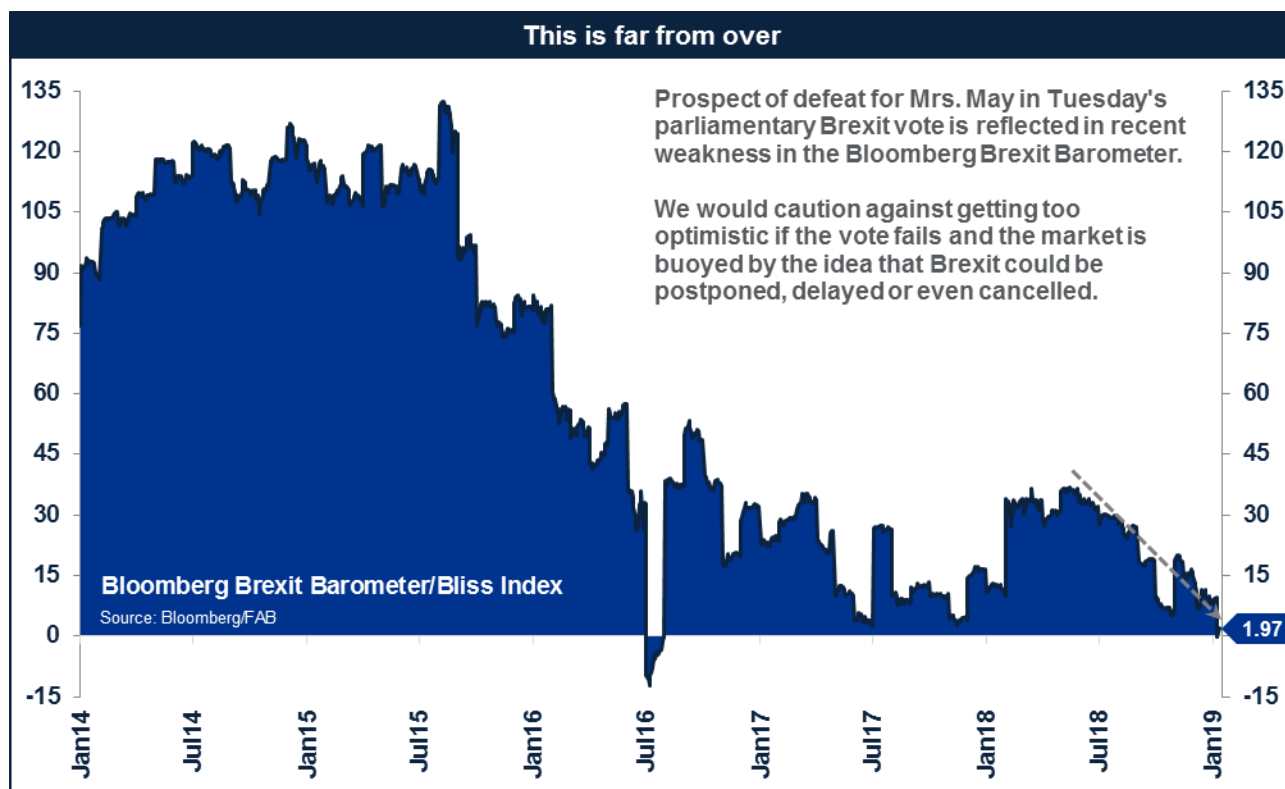


- Earlier tentative optimism with regard to progress in U.S./China trade talks is now giving way to a degree of caution and a paring of risk asset gains. Meanwhile the specter of potential defeat for the U.K. government in Tuesday's parliamentary vote on the Brexit divorce deal is hanging heavy over investors, as is the ongoing partial U.S. government shutdown. In aggregate, these concerns are now all feeding downward revisions to the global growth outlook and clipping the wings of market exuberance.
- In what might appear a perverse move, GBP has found some modest strength overnight ahead of the Brexit vote that the U.K. government is widely expected to lose. The rationale seems to be that voting down Theresa May's EU withdrawal deal will lead to Brexit being delayed or at least put on ice. Things might not be so simple though and we would advise against getting too optimistic with regard to U.K. risk over the next few days. Such is the divided nature of the U.K. government on the Brexit topic – as is the broader British electorate – and given the threat by the opposition Labour party to launch a vote of no confidence in the government in the case of the vote being lost, we feel that any post-vote relief rally could be very short lived.

14th January 2019

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- Meanwhile, at a more micro level, focus will increasingly be on the Q4 earnings season over the coming days as the flow of results gains momentum. Results are due from the likes of Citigroup, JPMorgan, Bank of America, Wells Fargo, Morgan Stanley and Goldman Sachs as well as Alcoa, Taiwan Semiconductor, American Express and BlackRock. We will be keeping a close eye on sales and earnings data (growth and surprise) for any signs of a softening in the corporate earnings outlook, which would also tend to weaken credit market dynamics.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.53%	-3.9	+2.8	-20.2	+18.2	+1.9
10Y	2.70%	-4.1	+3.3	-19.0	+15.4	+1.7
30Y	3.03%	-2.9	+5.2	-11.1	+18.4	+1.9

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	264.8	+2.0	+7.6	-18.9	+27.8	+7.8
10Y	276.6	+2.7	+6.7	-14.9	+23.8	+6.1
30Y	287.7	+4.1	+5.7	-11.1	+21.7	+3.9

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1469	-0.27%	+0.65%	+1.44%	-6.48%	+0.02%
GBP USD	1.2844	+0.76%	+0.95%	+2.07%	-6.87%	+0.71%
USD JPY	108.48	+0.05%	-0.03%	-4.33%	-1.86%	-1.10%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.4637	+0.86%	+2.46%	+1.89%	+43.83%	+3.30%
USD INR	70.4950	+0.12%	+1.10%	-1.95%	+11.03%	+1.04%
USD IDR	14,048.0	-0.04%	-1.56%	-3.68%	+5.35%	-2.38%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	413.9	+0.9	-13.6	-19.9	+92.0	-31.4
Sov x 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	69.0	-0.2	-1.4	+2.4	+14.6	+1.8
Kuwait 5Y	64.8	-0.4	-2.0	-1.0	+8.6	-1.0
Qatar 5Y	81.9	-0.1	-2.9	+4.5	-9.4	-0.5
KSA 5Y	99.9	+1.1	-7.3	+5.7	+15.0	-4.8
Dubai 5Y	137.9	-0.1	+1.5	+6.8	+24.0	+8.7
Oman 5Y	340.3	-0.1	-8.9	+90.3	+96.2	+16.1
Bahrain 5Y	294.2	-12.6	-20.2	+1.2	+10.0	+2.7

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	51.59	-1.90%	+7.57%	+0.76%	-19.77%	+13.61%
Brent Oil \$/bbl	60.48	-1.95%	+5.99%	+0.33%	-13.44%	+12.42%
Gold spot \$/oz	1,290.3	+0.28%	+0.33%	+4.13%	-3.71%	+0.61%
Silver spot \$/Troy oz	15.597	+0.18%	-0.65%	+6.97%	-10.13%	+0.66%
Aluminium 3MO \$	1,836.0	-1.34%	-1.55%	-5.31%	-15.61%	-0.54%
Nickel 3MO \$	11,460	+1.87%	+3.15%	+6.41%	-9.19%	+7.20%
Copper 3MO \$	5,942	+0.20%	+0.41%	-3.66%	-16.78%	-0.39%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	23,996	-0.02%	+2.40%	-0.43%	-7.00%	+2.87%
S&P 500	2,596	-0.01%	+2.54%	-0.14%	-6.82%	+3.57%
Nasdaq Composite	6,971	-0.21%	+3.45%	+0.88%	-3.99%	+5.07%
Nikkei	20,360	+0.97%	+4.08%	-4.75%	-13.93%	+1.72%
Hang Seng	26,667	+0.55%	+4.06%	+2.19%	-15.11%	+3.18%
Shanghai	2,554	+0.74%	+1.55%	-1.54%	-25.52%	+2.40%
Mumbai Sensex	36,010	-0.27%	+0.88%	+0.13%	+4.10%	-0.16%
DAX	10,887	-0.31%	+1.11%	+0.20%	-17.80%	+3.11%
CAC 40	4,781	-0.51%	+0.93%	-1.49%	-13.34%	+1.07%
FTSE 100	6,918	-0.36%	+1.18%	+1.07%	-11.06%	+2.82%
DJ Stoxx 50	3,070	-0.18%	+0.93%	-0.73%	-15.02%	+2.29%
FTSE MIB Index	19,290	-0.06%	+2.43%	+2.01%	-17.67%	+5.27%
SMI Index	8,828	+0.30%	+2.55%	+1.31%	-7.53%	+4.73%
MENA						
Abu Dhabi – ADX	4,969	+0.13%	+1.32%	+2.20%	+8.37%	+1.09%
Dubai – DFM	2,538	-0.31%	+0.25%	-2.36%	-27.76%	+0.31%
Saudi Arabia	8,292	+0.99%	+4.53%	+4.77%	+11.45%	+5.94%
Qatar	10,654	-0.04%	+2.91%	+1.89%	+16.12%	+3.44%
Bahrain	1,344	+0.20%	+1.03%	+1.91%	+1.90%	+0.54%
Kuwait (Premier Market)	5,473	+0.37%	+1.79%	+1.60%	+8.83%	+10.67%
Oman	4,304	-0.15%	+0.05%	-3.24%	-15.43%	-0.45%
Egypt	13,526	+1.18%	+1.37%	+4.07%	-11.33%	+3.76%
Turkey	91,687	+0.54%	+3.22%	+1.28%	-20.02%	+0.46%

Source: Bloomberg

Overnight market headlines

Global News

- US consumer prices drop for the first time in nine months
- China exports snap eight-month growth streak in December; 2018 trade surplus with US highest on record going back to 2006
- Ahead of vote, UK PM May warns it would be catastrophic to halt Brexit; Labour vows confidence vote as may faces defeat over Brexit
- Asian shares falter from 1-1/2-month highs; Oil retreats as risk appetite shrinks

Middle East & Africa News

- Aramco to probably sell \$10bn bond to buy Sabic stake; aims to tap dollar bond market in second quarter
- Saudi Electricity is said in talks to raise \$2.7bn loan
- DP World offers \$502m to buy Chile ports operator Pulosga
- Egypt plans up to \$7bn in international bonds in 1Q
- Egypt says announcement on IMF loan installment expected within 2 weeks
- Most Gulf markets close higher on Sunday ahead of results season
- Trump says US will hurt Turkey economically if it hits Kurds
- Lebanon tries again to reassure markets after bonds plunge; top officials reiterate Lebanon has no plans for debt overhaul

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