

Market Insights & Strategy
 Global Markets

Daily Market Chatter

Macro Strategy View: May Day! Brace, Brace

- Despite the ongoing fragility in the outlook for global growth this year in the context of the current U.S./Sino trade dispute, the partial U.S. government shutdown and in the wake of the weak China trade data reported Monday, global markets are recouping some lost ground in early trading today. A degree of corporate earnings optimism after Citigroup beat Q4 consensus expectations yesterday is also helping to buoy sentiment.
- At the time of writing (11:30 am UAE) Asian equities are higher (Hang Seng +1.81%) and credit spreads are tighter (iTraxx Ex-Japan IG -1bp, iTraxx Australia -2.4bp), indicating a firm open for MENA/GCC markets. In line with the modest risk on tone, the dollar is softer (DXY -0.08%) and the 10y UST yield has ticked up to the 2.71% level.



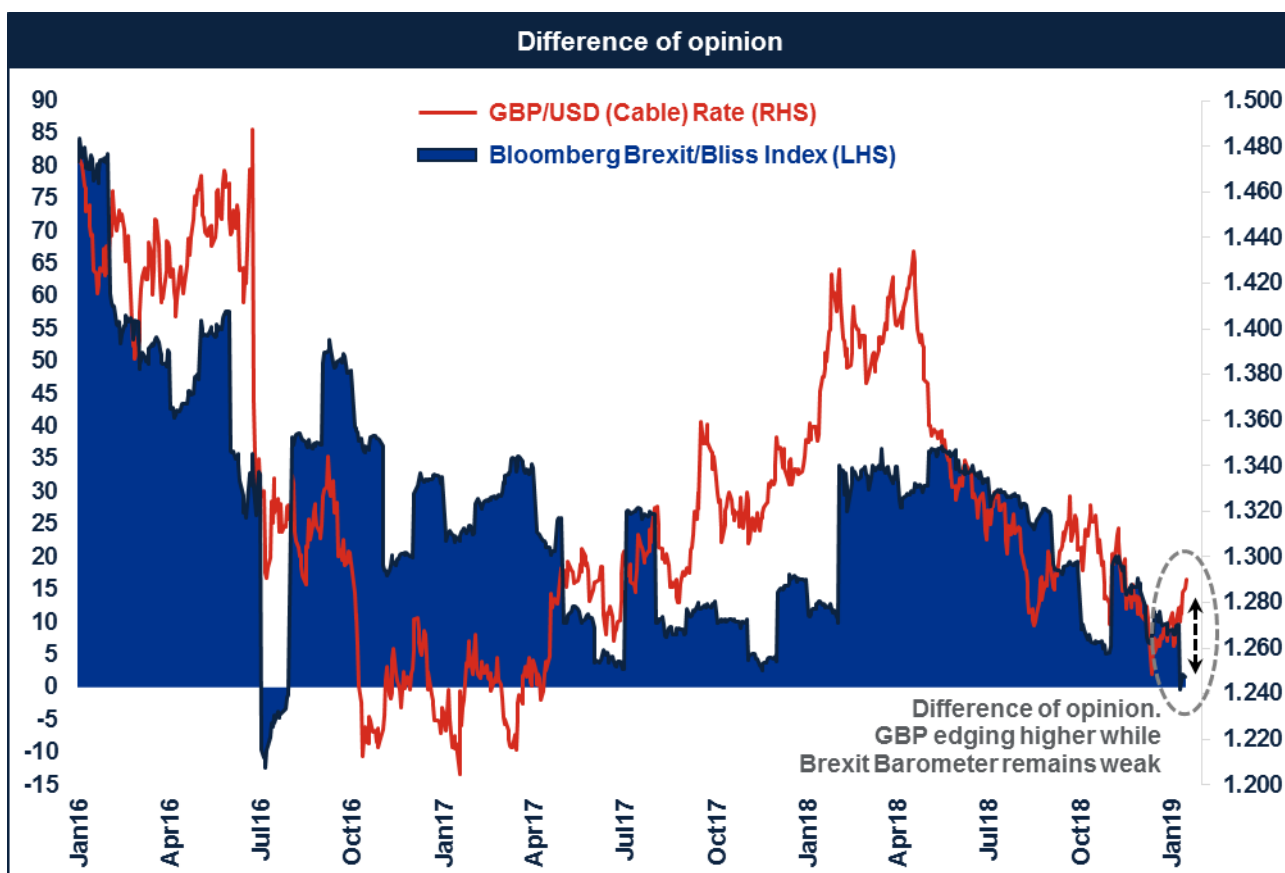
- But the big focus for Europeans today will be on the U.K. After a final day of debating – or perhaps pleading by some – the U.K. parliament is due to vote later today on prime minister May's Brexit withdrawal terms. With opposition parties generally expected to vote against here proposals, notwithstanding some declarations of capitulation by a few Conservative MPs, who say they will now vote in favour of the deal, the vote is widely expected to fail by a meaningful margin.
- This being the case, Mrs. May and her cabinet will be relegated to finding and announcing a Plan B, and all within 3 business days. No pressure then...

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- The possible outcomes from the vote today are binary. It will pass or fail. This said, whatever the result, we feel that any relief rally in UK risk sentiment could be short-lived.
- If the vote is passed, it will be a surprise to the market and could result in a swift rally in GBP as uncertainty is seemingly removed from the outlook. The U.K. will be set to leave the EU on March 29 and enter a 2-year (albeit opaque) transition period. But longer-term Brexit implementation challenges will remain and the Brexiteers will surely argue for stricter (harder Brexit) divorce terms. We would expect market strength to be faded over the coming weeks.
- If the vote fails though, as expected, we would see this as a negative for GBP risk. The result will imply increased probability of a 'no deal' Brexit scenario, where the U.K. exits the EU and adopts WTO trade regulations. Given the government's persistent commitment to 'deliver the Brexit that the electorate voted for' we do not subscribe to the idea that a 'no' vote will result in Brexit being postponed or a second referendum being announced. While both the latter could be a reason to turn bullish on GBP from current weak levels, we would see any sharp rally in the wake of a 'no' vote later today as an opportunity to selectively reset shorts.



- Not only has the government committed to delivering Brexit, but the opposition Labour party has stated that it will launch a 'No Confidence' vote in the government in the coming days post the parliamentary vote fiasco, all of which we would see as raising significant political uncertainty and undermining GBP sentiment and risk appetite in the near-term. **Caveat emptor. Whatever happens later today.. There is no going back to June 22 2016 and pretending the Brexit referendum never happened.**

Continued...

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.52%	-0.5	-1.3	-20.7	+17.7	+1.3
10Y	2.70%	+0.2	+0.6	-18.8	+15.5	+1.9
30Y	3.05%	+2.0	+6.4	-9.1	+20.4	+3.9

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	261.5	+0.0	+0.6	-18.3	+22.3	+4.5
10Y	272.8	+0.4	+0.4	-16.5	+18.4	+2.3
30Y	285.1	+0.8	+2.6	-12.2	+19.4	+1.3

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1469	+0.00%	-0.04%	+1.07%	-6.48%	+0.02%
GBP USD	1.2864	+0.16%	+0.68%	+1.90%	-6.73%	+0.86%
USD JPY	108.16	-0.29%	-0.52%	-4.14%	-2.15%	-1.39%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.4440	-0.36%	+1.08%	+1.35%	+43.31%	+2.92%
USD INR	70.9300	+0.62%	+1.79%	-0.87%	+11.71%	+1.66%
USD IDR	14,125.0	+0.55%	+0.32%	-3.12%	+5.92%	-1.84%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	412.7	-1.2	-4.8	-13.4	+93.9	-32.6
Sovx CEEMEA	76.0	+0.8	+1.3	-8.5	+44.2	-2.8
Itrax Xover	342.4	+7.5	-2.5	+0.1	+111.2	-10.3

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	69.1	+0.1	+1.1	+2.6	+15.8	+2.0
Kuwait 5Y	64.6	-0.2	-1.2	-1.2	+14.2	-1.2
Qatar 5Y	82.1	+0.2	+1.1	+8.9	-12.7	-0.3
KSA 5Y	101.4	+1.5	-0.6	+9.7	+16.9	-3.3
Dubai 5Y	138.0	+0.1	+3.6	+5.9	+24.8	+8.8
Oman 5Y	339.3	-0.9	-4.9	+90.0	+95.3	+15.2
Bahrain 5Y	307.7	+13.4	-7.4	+36.8	-52.7	+16.1

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	50.51	-2.09%	+4.10%	-1.35%	-21.45%	+11.23%
Brent Oil \$/bbl	58.99	-2.46%	+2.90%	-2.14%	-16.04%	+9.65%
Gold spot \$/oz	1,291.7	+0.11%	+0.19%	+3.68%	-3.60%	+0.72%
Silver spot \$/Troy oz	15.649	+0.34%	-0.03%	+6.72%	-9.83%	+1.00%
Aluminium 3MO \$	1,828.0	-0.44%	-2.69%	-5.09%	-17.43%	-0.98%
Nickel 3MO \$	11,390	-0.61%	+2.11%	+2.80%	-10.49%	+6.55%
Copper 3MO \$	5,897	-0.76%	-0.44%	-3.82%	-17.06%	-1.14%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	23,910	-0.36%	+1.61%	-0.79%	-7.34%	+2.50%
S&P 500	2,583	-0.53%	+1.29%	-0.67%	-7.31%	+3.02%
Nasdaq Composite	6,906	-0.94%	+1.21%	-0.07%	-4.89%	+4.08%
Nikkei	20,360	+0.00%	+1.60%	-4.75%	-13.93%	+1.72%
Hang Seng	26,298	+0.00%	+1.79%	+0.78%	-16.08%	+1.75%
Shanghai	2,536	+0.00%	+0.11%	-2.24%	-25.65%	+1.68%
Mumbai Sensex	35,854	+0.00%	+0.01%	-0.30%	+2.90%	-0.60%
DAX	10,856	-0.29%	+1.01%	-0.09%	-17.76%	+2.81%
CAC 40	4,763	-0.39%	+0.92%	-1.87%	-13.56%	+0.68%
FTSE 100	6,855	-0.91%	+0.65%	+0.14%	-11.77%	+1.89%
DJ Stoxx 50	3,055	-0.48%	+0.71%	-1.21%	-15.41%	+1.79%
FTSE MIB Index	19,171	-0.61%	+1.15%	+1.38%	-18.57%	+4.62%
SMI Index	8,760	-0.77%	+2.63%	+0.54%	-8.15%	+3.93%
MENA						
Abu Dhabi – ADX	4,999	+0.61%	+1.32%	+2.83%	+8.63%	+1.71%
Dubai – DFM	2,527	-0.41%	-0.30%	-2.76%	-27.71%	-0.10%
Saudi Arabia	8,271	-0.25%	+2.77%	+4.50%	+10.52%	+5.67%
Qatar	10,672	+0.17%	+1.69%	+2.06%	+19.28%	+3.62%
Bahrain	1,344	-0.05%	+0.97%	+1.86%	+1.49%	+0.49%
Kuwait (Premier Market)	5,471	-0.04%	+1.27%	+1.55%	+8.12%	+3.87%
Oman	4,309	+0.11%	-0.08%	-3.13%	-15.00%	-0.35%
Egypt	13,336	-1.41%	-0.05%	+2.61%	-11.85%	+2.30%
Turkey	92,054	+0.40%	+2.34%	+1.68%	-17.93%	+0.86%

Source: Bloomberg

Overnight market headlines

Global News

- Take a second look, May urges MPs as she faces worst government defeat in 95 years in key Brexit vote
- Trump predicts US will reach trade deal with China; defends trade policies to farmers and vows fair deal with China
- China to step up fiscal expenditure this year to achieve economic targets; PBOC says RRR cut and reverse repo operations meant to keep liquidity ample
- China shares prop-up Asia on stimulus hopes, sterling braces for Brexit plan; Oil prices edge up on supply cuts, but weakening economic outlook caps gains

Middle East & Africa News

- Abu Dhabi's Mubadala acquires Amana Healthcare
- Abu Dhabi's ADNOC signs \$440m loan to fund Emaar hotels deal
- Dubai Parks pulls in 22% more visitors during 2018
- Turkish tycoon said to be in talks to sell hotels to Dubai Holding
- Riyadh Bank picks Goldman to advise on merger talks with NCB
- Investcorp, Collier form \$1bn European private equity fund
- Egypt picks banks to manage sale of stakes in state-owned companies
- Weak oil pushes down Saudi index; global woes hurt Egypt

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