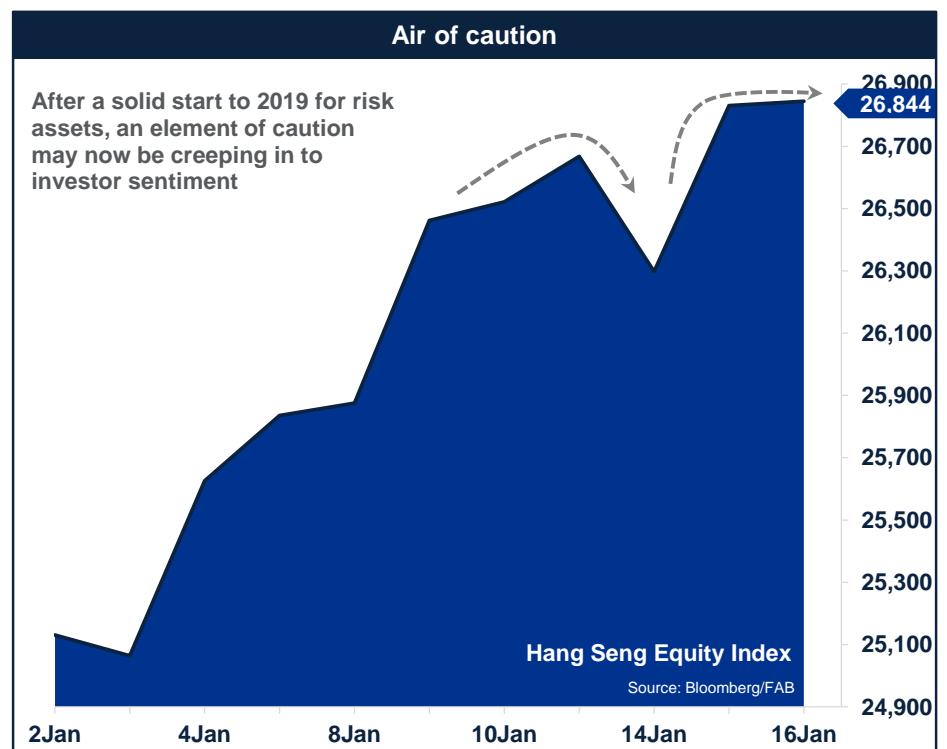


Daily Market Chatter

Macro Strategy View: High stakes political poker

- There is an air of caution across global markets this morning, with Asian bourses seeing some modest consolidation amid the fragile outlook for global growth prospects and the overhang of last night's failed Brexit vote in London. That said, there is a firm underlying tone to risk in general; European and U.S. equity futures are indicating a firm open in those markets and the Asia iTraxx credit indices are all trading tighter as of 10am UAE time.

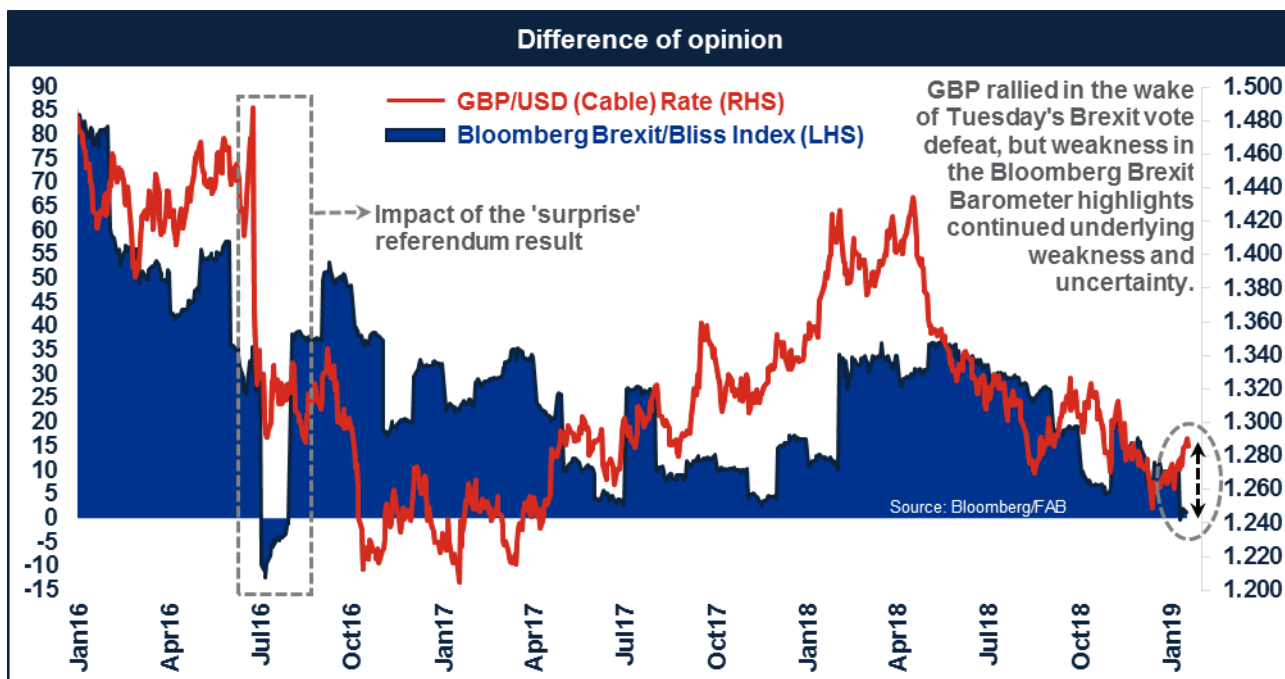


- Much of the focus today though will be on the U.K. and the ramifications of the crushing defeat of Theresa May's EU withdrawal agreement last night. For the record, the U.K. government lost the 'meaningful Brexit vote' by 230 votes (432-202), the biggest government defeat in over 100 years. With Opposition leader Jeremy Corbyn then having called for a vote of no confidence in the May government – which will be discussed in Westminster today – we are swiftly moving into the next stage of this high stakes game of political poker.
- GBP rallied in the immediate wake of the vote result, seemingly on the prospect of Brexit being delayed (Article 50 extended), if not scrapped eventually. Indeed, we would suggest that only the latter scenario, capitulating to stay in the EU, might now be the only feasible reason to justify such GBP strength being sustained. Similarly, European Council President Donald Tusk suggested over night that cancelling Brexit is 'the only positive solution'.
- If Brexit were to be cancelled, we believe that this would be a catalyst for cable to rally back to the \$1.3500 level in the first instance.

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When will the market realize that Brexit is a chimera?

- In this respect we note that while Prime Minister May's deal was heavily defeated, no one from within her Conservative party or from the opposition benches has been able to offer anything better in terms of solution. The simple problem remains that the split result (51.89% Brexit, 48.11% Remain) of the June 2016 referendum is impossible to deliver.
- For now, given all the economic and political uncertainty that continues to envelop the Brexit saga – and with the added complexity now of a 'no confidence' vote – we would expect traders/investors to sell into (any) strength over the coming days and GBP market volatility to remain elevated. Indeed, while cable bounced from \$1.2670 to around \$1.2890 in the wake of the vote, it has subsequently consolidated a little overnight and is hovering around the \$1.2866 mark as of 10am UAE time.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.53%	+0.7	-4.9	-20.0	+17.9	+2.0
10Y	2.71%	+1.0	-1.6	-17.8	+17.5	+2.9
30Y	3.07%	+2.1	+6.7	-7.0	+24.8	+6.0

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	262.2	+0.7	-2.9	-17.5	+21.3	+5.2
10Y	274.0	+1.2	-1.7	-15.3	+19.6	+3.5
30Y	286.5	+1.4	+1.7	-10.8	+21.6	+2.7

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1413	-0.49%	-0.24%	+0.57%	-6.91%	-0.47%
GBP USD	1.2861	-0.02%	+1.13%	+1.88%	-6.75%	+0.84%
USD JPY	108.68	+0.48%	-0.06%	-3.68%	-1.60%	-0.92%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.4471	+0.06%	-0.70%	+1.40%	+43.47%	+2.98%
USD INR	71.0400	+0.16%	+1.19%	-0.72%	+10.93%	+1.82%
USD IDR	14,090.0	-0.25%	-0.41%	-3.36%	+5.64%	-2.08%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	409.5	-3.2	-9.2	-16.6	+90.7	-35.8
Sovx CEEMEA	72.9	-3.0	-2.5	-8.1	+41.2	-5.8
Itrax Xover	335.2	-7.2	-8.9	-7.4	+104.0	-17.5

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.3	-1.8	-1.4	+0.3	+13.9	+0.1
Kuwait 5Y	64.8	+0.2	-0.8	-1.0	+14.4	-1.0
Qatar 5Y	79.7	-2.5	-2.4	+6.6	-15.2	-2.7
KSA 5Y	99.4	-1.9	-3.6	+7.6	+14.9	-5.2
Dubai 5Y	136.9	-1.1	+3.7	+4.0	+23.7	+7.7
Oman 5Y	327.6	-11.8	-14.9	+12.6	+83.5	+3.4
Bahrain 5Y	305.3	-2.4	-9.4	+24.5	-55.0	+13.8

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	52.11	+3.17%	+4.68%	+1.78%	-18.23%	+14.75%
Brent Oil \$/bbl	60.64	+2.80%	+3.27%	+0.60%	-12.31%	+12.71%
Gold spot \$/oz	1,289.5	-0.17%	+0.32%	+3.50%	-3.65%	+0.55%
Silver spot \$/Troy oz	15.580	-0.44%	-0.47%	+6.25%	-9.38%	+0.55%
Aluminium 3MO \$	1,845.0	+0.93%	-1.05%	-4.21%	-17.15%	-0.05%
Nickel 3MO \$	11,670	+2.46%	+4.38%	+5.32%	-9.25%	+9.17%
Copper 3MO \$	5,920	+0.39%	+0.24%	-3.45%	-17.89%	-0.75%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,066	+0.65%	+1.17%	-0.14%	-6.70%	+3.16%
S&P 500	2,610	+1.07%	+1.39%	+0.40%	-5.98%	+4.13%
Nasdaq Composite	7,024	+1.71%	+1.84%	+1.64%	-2.77%	+5.86%
Nikkei	20,555	+0.96%	+1.74%	-3.83%	-14.18%	+2.70%
Hang Seng	26,830	+2.02%	+3.69%	+2.82%	-15.91%	+3.81%
Shanghai	2,570	+1.36%	+1.74%	-0.90%	-25.21%	+3.07%
Mumbai Sensex	36,318	+1.30%	+0.94%	+0.99%	+4.45%	+0.69%
DAX	10,892	+0.33%	+0.81%	+0.24%	-17.78%	+3.15%
CAC 40	4,786	+0.49%	+0.27%	-1.39%	-13.20%	+1.17%
FTSE 100	6,895	+0.58%	+0.49%	+0.73%	-11.10%	+2.48%
DJ Stoxx 50	3,068	+0.42%	+0.43%	-0.79%	-15.29%	+2.22%
FTSE MIB Index	19,165	-0.03%	+0.87%	+1.35%	-18.43%	+4.59%
SMI Index	8,825	+0.74%	+2.26%	+1.27%	-6.76%	+4.69%
MENA						
Abu Dhabi – ADX	4,983	-0.32%	+1.14%	+3.15%	+7.97%	+1.39%
Dubai – DFM	2,491	-1.45%	-1.51%	-2.59%	-29.36%	-1.55%
Saudi Arabia	8,347	+0.93%	+3.60%	+5.55%	+10.83%	+6.65%
Qatar	10,763	+0.86%	+2.91%	+2.54%	+17.27%	+4.51%
Bahrain	1,340	-0.27%	+0.58%	+1.58%	+1.42%	+0.21%
Kuwait (Premier Market)	5,474	+0.04%	+1.35%	+1.23%	+8.17%	+3.92%
Oman	4,280	-0.67%	-0.72%	-3.10%	-15.08%	-1.01%
Egypt	13,447	+0.84%	+0.33%	+3.50%	-10.88%	+3.16%
Turkey	93,173	+1.22%	+2.73%	+2.92%	-18.57%	+2.08%

Source: Bloomberg

Overnight market headlines

Global News

- Theresa May's Brexit plan falls by 230 votes
- Hammond floats idea of delaying Brexit; CBI calls on government to reveal a new plan immediately
- EU leaders express dismay after May's Brexit defeat, refuses to reopen deal
- US producer prices post biggest drop in over two years; New York Fed's Empire State business index hits lowest since May 2017
- USTR promises exclusion process for higher tariffs if China talks fail
- China injects record funds into money markets before holidays
- Asia stocks retreat from six-week high; pound fluctuates while yen gains; oil holds gain near \$52 on hope OPEC+ cuts will stabilise market

Middle East & Africa News

- First Abu Dhabi Bank prices a \$850m 5-year Sukuk at MS+130bps
- S&P sees global sukuk issuance at \$115bn in 2019; expects GCC Sukuk issuance to climb to \$47.6bn
- S&P expects MENA economic growth to remain broadly stable in 2019
- Moody's says GCC bank mergers to ease overcapacity and boost profitability
- Saudi Arabia plans regional gas grid to connect with UAE, Oman, Kuwait
- UAE's Masdar plans first US renewable energy investment
- Banks buoy Saudi market, DAMAC drags down Dubai

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