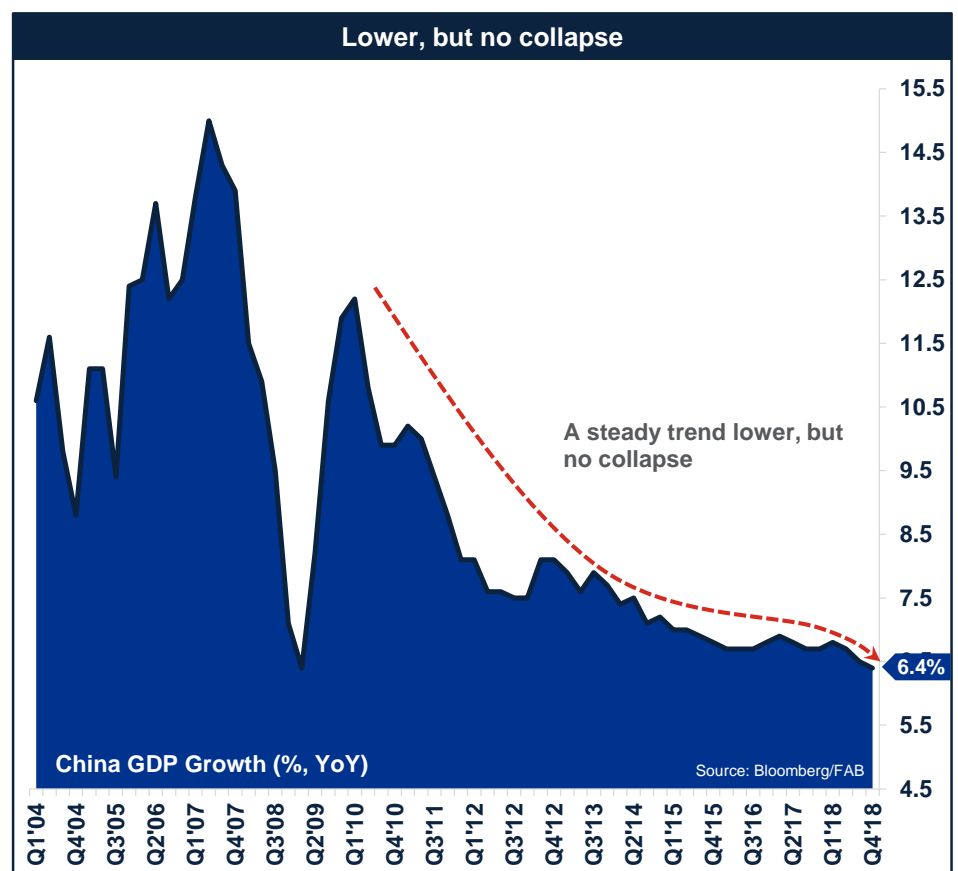


Daily Market Chatter

Macro Strategy View: China, Brexit, Global Growth – Pick your Poison

- Ahead of what is likely to be a low volume trading session today – particularly in USD and USD-pegged markets, with the U.S. closed for Martin Luther King day – the global market spotlight is this morning on the latest China (Q4) GDP data.
- The GDP data, released at 6am UAE time and all in line with expectations, show that the Chinese economy expanded by +6.4% YoY in last quarter of 2018. Yes this was down from +6.5% in Q3 and the slowest pace of growth since Q1 2009, but markets have responded positively.
- On a full year (2018) basis the Chinese GDP growth was 6.6%. This was the slowest rate of expansion China has seen since 1990, but encouragingly was above Beijing's target of 6.5%.
- Together with continued optimism that the U.S./China trade dispute can soon be resolved, as well as that of an ending of the partial U.S. government shutdown, Asian credit markets have responded positively this morning. Equity markets in the region are trading higher by 0.5%/0.75% on average, while the iTraxx Asia and Australia credit default swap indexes are tighter by up to 1bp.



- Beyond the China data though, we expect the market's focus to be split in two directions later – toward Switzerland and toward London.

21st January 2019

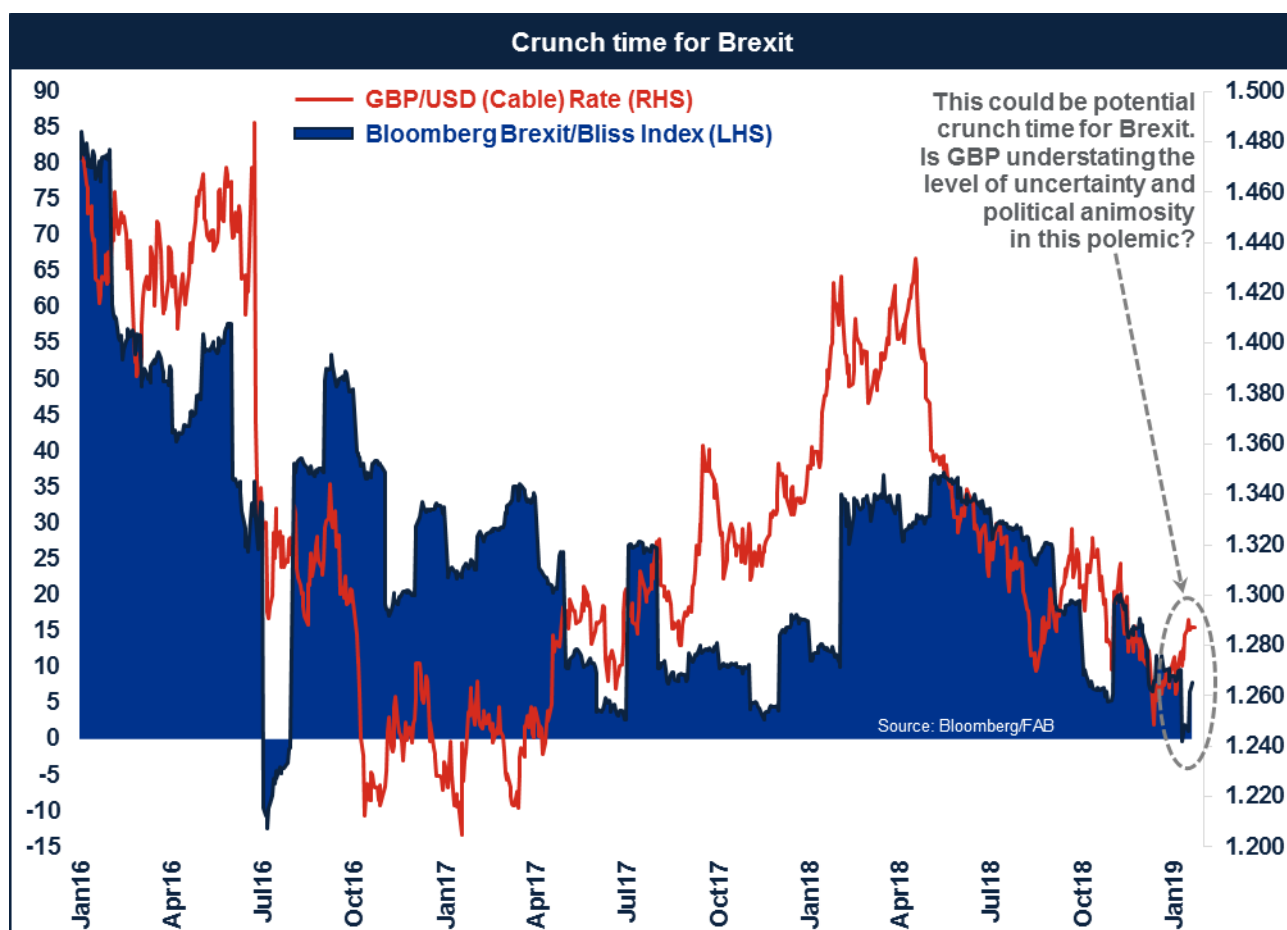
Simon Ballard
Macro Strategist

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- We will be watching attentively for the release of the International Monetary Fund's new global growth forecasts within its World Economic Outlook update, due to be released from Davos Switzerland, on the eve of the World Economic Forum. The report should be published at 5pm UAE time today.
- Importantly, we note the optimistic prognosis that the World Bank offered for the MENA/GCC region. While the Bank expects global growth to slow to 2.9% this year from (an estimated) +3.0% in 2018 its latest analysis suggests that growth in the MENA region should expand in 2019 to +1.9% (from +1.7% in 2018). In particular in the GCC region, increased oil production (and our expectation of recovery in the oil price), is expected ease the pressure for fiscal consolidation, enable higher public spending and thereby support higher current account balances.
- As a result, the World Bank sees GDP in the UAE rising to +3.0% in 2019 from +2.0% last year, and then recovering further to +3.2% in 2020 and 2021. Let's see what the IMF expects.

Is there a Plan B?

- Meanwhile, in London the Brexit saga moves to the next chapter today as Prime Minister May scrambles to deliver her 'Plan B' to Parliament. After the recent strength in U.K. risk, especially GBP, amid speculation (post the recent parliamentary votes) that Brexit could be watered down, delayed or even put on ice, there is a more cautious tone to the sector this week.



- Indeed, even if we believe that the U.K. and EU will manage to find a solution to the Brexit impasse at the last minute ahead of the March 29 deadline – and that a chaotic 'no-deal' divorce can be avoided – such is the level of embedded uncertainty in the polemic and doubt surrounding May's ability to find a politically acceptable Plan B in a rapidly shrinking timeframe, that we believe GBP (cable) should be trading well below the current \$1.2860 level.
- Any spike in political animosity and increased perception of a disorderly Brexit could easily see cable trade back toward the December lows of sub-\$1.2500.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.62%	+5.2	+9.4	-1.5	+17.4	+11.3
10Y	2.79%	+3.4	+8.3	-0.7	+12.5	+10.1
30Y	3.10%	+2.3	+6.4	+6.7	+16.4	+8.4

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	271.4	+4.9	+10.0	-2.1	+23.5	+14.4
10Y	282.3	+3.8	+9.9	-1.8	+18.4	+11.7
30Y	292.3	+3.5	+8.0	+0.3	+18.2	+8.5

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1363	-0.23%	-0.92%	-0.08%	-7.33%	-0.91%
GBP USD	1.2872	-0.88%	+0.22%	+1.80%	-7.97%	+0.93%
USD JPY	109.78	+0.48%	+1.20%	-1.29%	-1.03%	+0.08%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.3276	-0.37%	-2.49%	+0.24%	+41.12%	+0.72%
USD INR	71.1875	+0.21%	+0.98%	+1.44%	+11.46%	+2.03%
USD IDR	14,178.0	-0.10%	+0.93%	-2.58%	+6.22%	-1.47%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	396.3	-8.7	-17.6	-34.5	+80.6	-49.0
Sovx CEEMEA	65.3	-2.9	-9.9	-14.7	+33.7	-13.5
Itrax Xover	320.0	-8.2	-14.9	-38.3	+90.0	-32.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.0	+0.0	-2.0	-0.5	+14.3	-0.1
Kuwait 5Y	66.8	+0.0	+2.0	+1.0	+14.6	+1.0
Qatar 5Y	74.8	-2.1	-7.1	-8.8	-20.0	-7.6
KSA 5Y	91.5	-4.5	-8.4	-12.8	+7.7	-13.2
Dubai 5Y	134.0	-1.5	-3.9	+2.2	+19.0	+4.8
Oman 5Y	311.3	-5.5	-29.0	-14.2	+67.2	-12.9
Bahrain 5Y	285.9	-1.4	-8.3	+3.0	+32.3	-5.6

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	53.80	+3.32%	+4.28%	+18.01%	-15.10%	+18.48%
Brent Oil \$/bbl	62.70	+2.48%	+3.67%	+16.50%	-8.61%	+16.54%
Gold spot \$/oz	1,282.1	-0.77%	-0.63%	+2.00%	-3.88%	-0.03%
Silver spot \$/Troy oz	15.339	-1.22%	-1.66%	+4.68%	-9.87%	-1.01%
Aluminium 3MO \$	1,870.0	+0.65%	+1.85%	-2.86%	-16.56%	+1.30%
Nickel 3MO \$	11,820	+1.98%	+3.14%	+9.09%	-5.21%	+10.57%
Copper 3MO \$	6,052	+1.00%	+1.85%	+1.37%	-14.47%	+1.46%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,706	+1.38%	+2.96%	+10.07%	-5.24%	+5.91%
S&P 500	2,671	+1.32%	+2.87%	+10.51%	-4.97%	+6.54%
Nasdaq Composite	7,157	+1.03%	+2.66%	+13.01%	-2.44%	+7.87%
Nikkei	20,666	+1.29%	+1.50%	+2.48%	-13.20%	+3.25%
Hang Seng	27,091	+1.25%	+1.59%	+5.19%	-16.01%	+4.82%
Shanghai	2,596	+1.42%	+1.65%	+3.17%	-25.57%	+4.09%
Mumbai Sensex	36,387	+0.03%	+1.05%	+1.80%	+2.46%	+0.88%
DAX	11,206	+2.63%	+2.92%	+5.38%	-16.59%	+6.12%
CAC 40	4,876	+1.70%	+1.98%	+3.87%	-11.77%	+3.07%
FTSE 100	6,968	+1.95%	+0.72%	+3.68%	-9.86%	+3.57%
DJ Stoxx 50	3,135	+2.14%	+2.11%	+4.48%	-14.09%	+4.45%
FTSE MIB Index	19,708	+1.22%	+2.17%	+7.13%	-17.02%	+7.55%
SMI Index	9,024	+1.23%	+2.22%	+7.21%	-5.11%	+7.05%
MENA						
Abu Dhabi – ADX	4,975	-0.20%	+0.13%	+2.46%	+7.31%	+1.23%
Dubai – DFM	2,513	-0.16%	-0.98%	+0.12%	-28.46%	-0.67%
Saudi Arabia	8,384	-0.76%	+1.11%	+8.13%	+11.58%	+7.11%
Qatar	10,760	-0.26%	+1.00%	+3.34%	+17.66%	+4.48%
Bahrain	1,348	+0.48%	+0.24%	+2.56%	+0.88%	+0.77%
Kuwait (Premier Market)	5,494	+0.25%	+0.38%	+3.49%	+9.51%	+4.31%
Oman	4,203	-0.80%	-2.36%	-3.09%	-15.59%	-2.80%
Egypt	13,444	-0.29%	-0.60%	+2.33%	-12.36%	+3.13%
Turkey	98,455	+1.69%	+7.38%	+7.18%	-14.50%	+7.87%

Source: Bloomberg

Overnight market headlines

Global News

- China GDP growth slips to 6.4% in the fourth quarter; 2018 full year growth at 6.6% hits 28-year low, but exceeds target
- Trump says deal with China 'could very well happen'; China is said to offer path to end US trade imbalance
- US consumer sentiment at two-year low
- Fed policymakers leave little doubt that rate hikes can wait
- End 'no-deal brinkmanship' and let's talk, Britain's Corbyn tells May
- Asia stocks rise on trade hopes; Oil holds gains near two-month high on signs of shale slowdown

Middle East & Africa News

- S&PGR affirms Kuwait ratings at 'AA/A-1+' with Stable outlook
- Aldar announces \$436m in plot sales in one day
- Bahrain's AUB in talks to sell stake in investment firm to Kuwait's Warba Bank
- Banks hurt Saudi stock index on Sunday, most Gulf markets fall
- Egypt's foreign currency reserves hit \$42.6bn by end of 2018

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