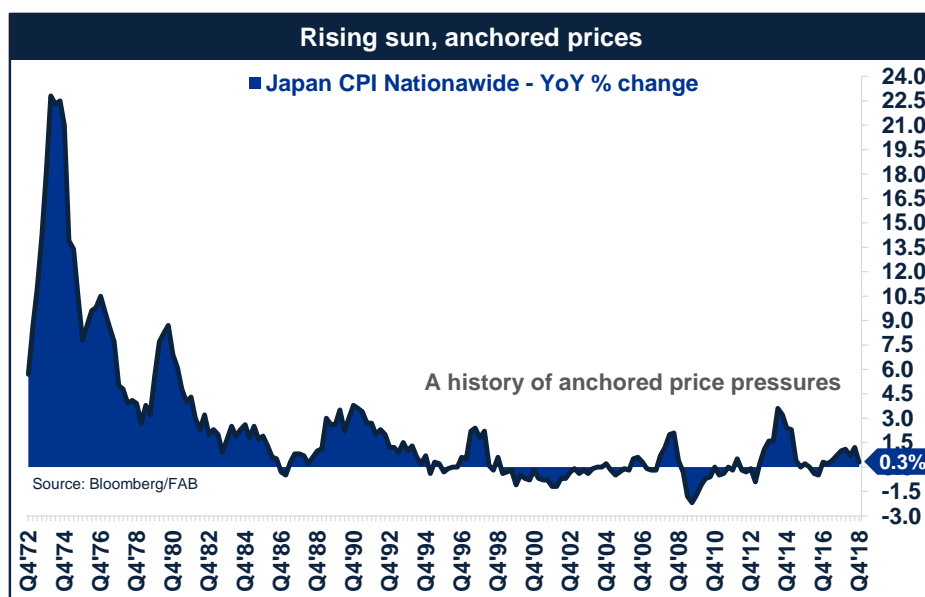


Daily Market Chatter

Macro Strategy View: Land of the rising sun, but falling prices

- While Asian bourses have erased their opening weakness as the Wednesday session evolves, with the Asia iTraxx credit indices trading wider overnight and European equity futures trading modestly lower there is a still a clear veil of caution hanging over market sentiment this morning. Risk appetite continues to be tested by the uncertainties surrounding U.S. /Sino trade tensions, the slowdown in the Chinese economy, Brexit and its possible ramifications for the broader global economy as well as the ongoing concerns over the partial U.S. government shutdown. All of this is likely to contribute to continued periods of volatility.
- In the latest macro data point, adding further fuel to the weakening global growth story, the Bank of Japan left policy rates unchanged earlier this morning – thereby maintaining its yield-curve control and asset purchase programs – while taking an axe to its inflation forecasts again. The BOJ has now cut its inflation forecast in its last four consecutive quarterly outlook reports. In this latest adjustment, the inflation forecast for the fiscal year beginning in April was reduced to +0.9% from +1.4%, with the BOJ citing lower oil prices as the primary reason.

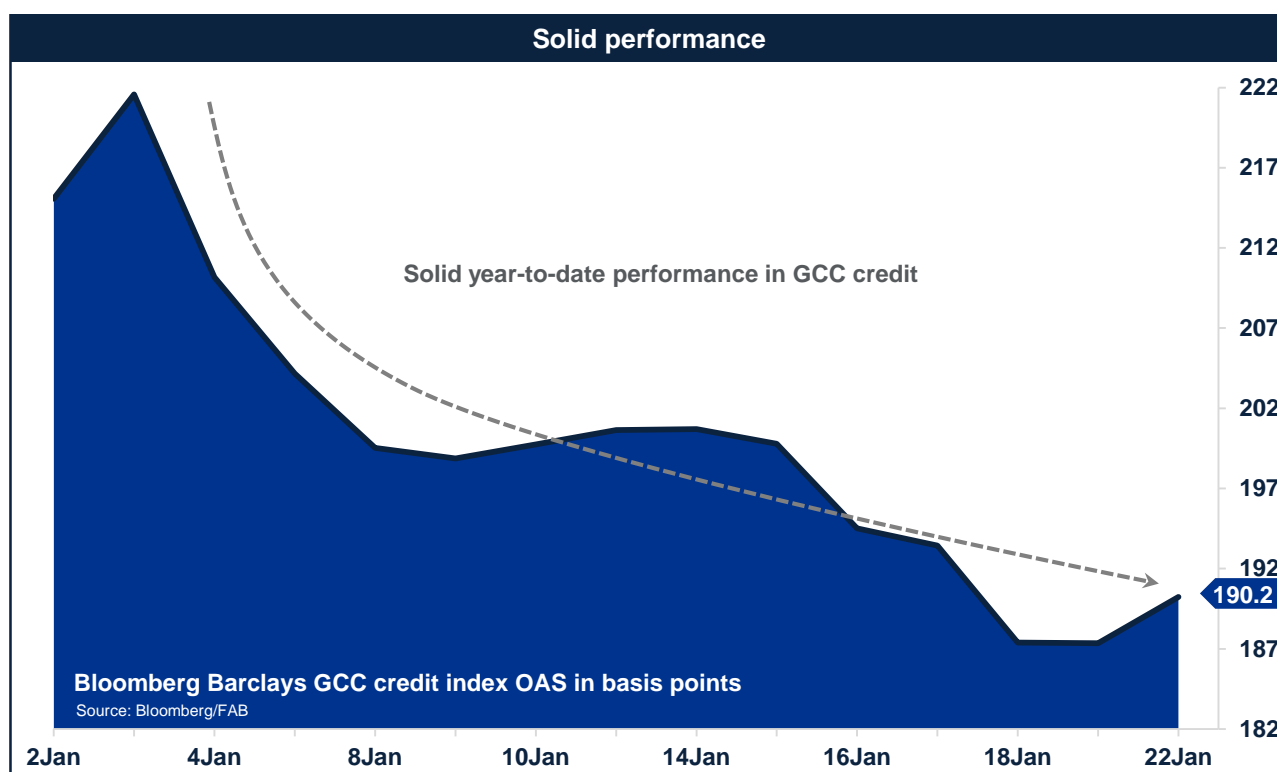


- Unsurprisingly, the Yen has weakened overnight in the wake of the inflation forecast revision (Y109.15 yesterday to Y109.67 as of 8.30am UAE). With the Fed having been in tightening mode since December 2015 – albeit now eyeing the pause button perhaps – and the ECB and BOE certainly showing a tightening bias in recent months, the gap between the BOJ and its international peers is steadily becoming more of a chasm. As such, we believe that the BOJ will look for any possibility to shift policy towards a more neutral – and subsequently normalizing – stance over the coming quarters, even as inflations edges lower. This suggests that the Yen will remain susceptible to a snap higher if any bullish macro sentiment were to emerge.

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- Meanwhile, closer to home, the GCC fixed income market has had a solid start to 2019, in terms of both primary and secondary market performance. Moreover, this is a trend that we expect to extend through the year as the aforementioned global macro uncertainties further highlight and enhance the relative value appeal of the asset class from a liquidity and yield perspective. While the Bloomberg Barclays GCC credit index has eased back 3bps this week (to 190bp OAS) amid the pick-up in volatility, the index has now tightened by an impressive 22bps since the beginning of the year (and 31bps from the wide seen on Jan 3).

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.58%	-4.6	+4.7	-6.1	+16.5	+6.7
10Y	2.74%	-4.5	+2.7	-5.2	+12.6	+5.6
30Y	3.06%	-3.8	-1.4	+2.9	+16.5	+4.6

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	266.1	-3.5	+3.9	+0.3	+18.1	+9.1
10Y	277.3	-3.6	+3.3	+1.1	+12.9	+6.8
30Y	287.8	-4.6	+1.2	+2.5	+11.8	+3.9

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1360	-0.04%	-0.46%	-0.40%	-7.63%	-0.93%
GBP USD	1.2954	+0.48%	+0.72%	+1.95%	-7.47%	+1.57%
USD JPY	109.37	-0.27%	+0.63%	-0.98%	-0.85%	-0.29%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.3413	+0.36%	-1.94%	+1.07%	+41.77%	+0.98%
USD INR	71.4425	+0.23%	+0.57%	+1.85%	+12.02%	+2.40%
USD IDR	14,220.0	-0.06%	+0.92%	-2.29%	+6.72%	-1.18%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	402.3	+6.0	-7.2	-34.0	+85.1	-43.0
Sov x CEEMEA	63.1	+0.2	-9.9	-15.7	+30.0	-15.7
Itrax Xover	330.8	+12.8	-4.4	-33.4	+99.1	-21.9

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	65.9	-0.6	-1.4	-2.7	+13.5	-1.3
Kuwait 5Y	66.8	+0.0	+2.0	+1.0	+14.5	+1.0
Qatar 5Y	76.0	+1.1	-3.7	-8.2	-17.7	-6.4
KSA 5Y	93.4	+2.3	-6.0	-11.5	+10.6	-11.3
Dubai 5Y	133.1	-1.2	-3.8	-0.3	+17.7	+3.9
Oman 5Y	311.7	+2.9	-15.9	-16.2	+67.6	-12.5
Bahrain 5Y	275.0	-5.2	-30.3	-10.6	+22.3	-16.5

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	53.01	-1.47%	+1.73%	+16.28%	-17.78%	+16.74%
Brent Oil \$/bbl	61.50	-1.98%	+1.42%	+14.27%	-12.09%	+14.31%
Gold spot \$/oz	1,285.2	+0.37%	-0.33%	+1.26%	-4.17%	+0.21%
Silver spot \$/Troy oz	15.339	+0.45%	-1.55%	+3.81%	-10.05%	-1.01%
Aluminium 3MO \$	1,883.0	+1.67%	+2.06%	-1.36%	-16.27%	+2.00%
Nickel 3MO \$	11,585	-1.82%	-0.73%	+6.53%	-9.21%	+8.37%
Copper 3MO \$	5,935	-0.77%	+0.25%	-0.93%	-16.03%	-0.50%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,404	-1.22%	+1.41%	+8.73%	-6.89%	+4.62%
S&P 500	2,633	-1.42%	+0.87%	+8.95%	-7.26%	+5.03%
Nasdaq Composite	7,020	-1.91%	-0.05%	+10.85%	-5.90%	+5.80%
Nikkei	20,623	-0.47%	+0.33%	+2.26%	-14.51%	+3.04%
Hang Seng	27,005	-0.70%	+0.65%	+4.86%	-17.99%	+4.49%
Shanghai	2,580	-1.18%	+0.36%	+2.52%	-27.26%	+3.44%
Mumbai Sensex	36,445	-0.37%	+0.35%	+1.97%	+0.84%	+1.04%
DAX	11,090	-0.41%	+1.82%	+4.29%	-18.21%	+5.03%
CAC 40	4,848	-0.42%	+1.28%	+3.26%	-12.42%	+2.47%
FTSE 100	6,901	-0.99%	+0.09%	+2.68%	-10.74%	+2.58%
DJ Stoxx 50	3,113	-0.39%	+1.46%	+3.74%	-15.24%	+3.71%
FTSE MIB Index	19,437	-1.03%	+1.42%	+5.65%	-18.46%	+6.08%
SMI Index	8,966	-0.50%	+1.60%	+6.52%	-6.13%	+6.37%
MENA						
Abu Dhabi – ADX	4,956	+0.01%	-0.55%	+2.88%	+6.73%	+0.83%
Dubai – DFM	2,494	-0.20%	+0.14%	+0.61%	-28.31%	-1.42%
Saudi Arabia	8,399	-0.03%	+0.62%	+8.65%	+12.08%	+7.32%
Qatar	10,687	-0.33%	-0.70%	+3.43%	+15.48%	+3.77%
Bahrain	1,352	+0.19%	+0.92%	+2.91%	+1.40%	+1.14%
Kuwait (Premier Market)	5,501	+0.15%	+0.50%	+3.78%	+8.77%	+4.43%
Oman	4,182	+0.06%	-2.29%	-3.56%	-16.00%	-3.28%
Egypt	13,475	-0.74%	+0.20%	+4.07%	-11.33%	+3.37%
Turkey	99,677	+1.76%	+6.98%	+8.51%	-15.81%	+9.21%

Source: Bloomberg

Overnight market headlines

Global News

- Bank of Japan holds rates steady but trims inflation outlook
- Japan's exports fall as economic growth slows in China
- China says will step up fiscal spending this year to support economy
- Kudlow says China deal hinges on enforcement, structural issues
- US home sales hit three-year low, prices rise slowly
- US Senate will hold votes on competing bills to end shutdown
- Opposition leader pushes for parliament vote on new Brexit referendum
- Asian stocks pare early losses but worries over growth and trade sour mood; 10-year Treasury yields tick lower to 2.75%; Oil holds losses near \$53

Middle East & Africa News

- Bahrain received its first funds from Gulf aid last year, says central bank governor; says future borrowings will be much lower than before
- Saudi Arabia raises \$1.89bn from riyal sukuk offering
- Saudi Aramco talks to credit rating agencies before landmark bond deal
- Saudi Arabia eyes billions of dollars in entertainment investments
- Saudi lender NCB grows profits by 8% in 2018 on lower expenses
- DP World says US-China spat is slowing short-term investments
- Most of Gulf stock markets close flat on Tuesday; blue-chips push down Egypt
- Egypt's central bank governor sees more volatile exchange rate; says Egypt has enough reserves to fend off speculators
- Egypt's CB governor Amer says current account deficit will narrow to 2%, IMF loan installment expected in late Jan or early Feb

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