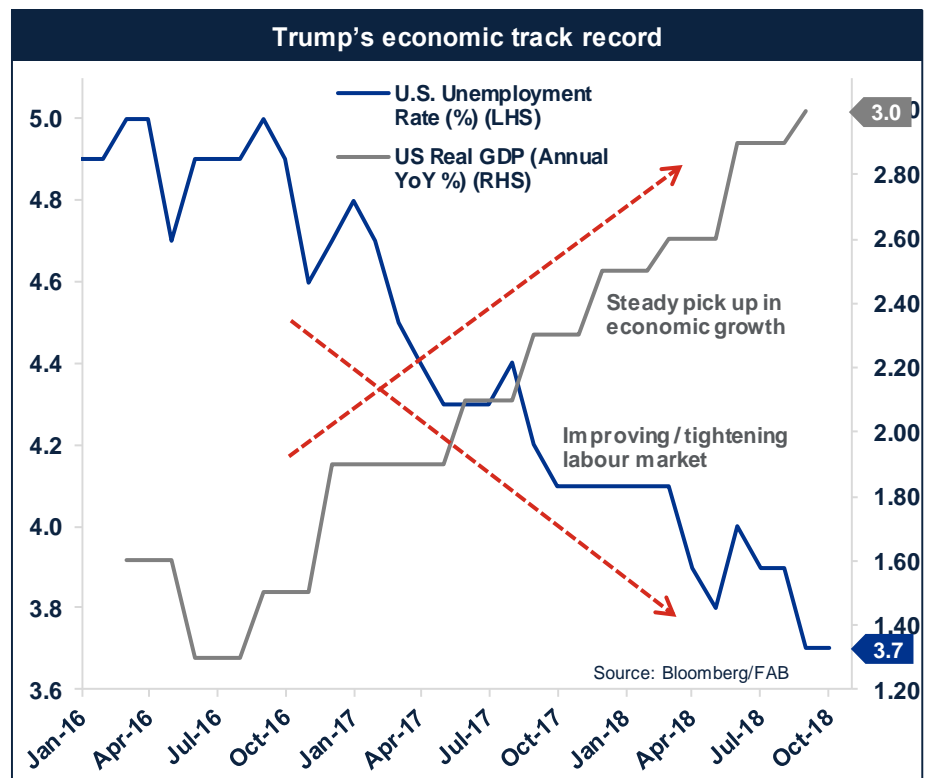


Daily Market Chatter

Macro Strategy View: Reading the U.S. Mid-Term Tealeaves

- Global markets may find themselves trading water during today's trading session. All eyes are now on the U.S. mid-term elections and in particular voting for control of the House of Representatives, which is being viewed as a plebiscite on president Trump himself. Moreover, the results could have direct implications not only for U.S. macro and political conditions over the coming months, but for the global macro outlook more broadly.
- The Republicans should easily maintain control of the Senate, but there is increasing debate about the House of Representatives. The net outcome will determine if president Trump's economic agenda and fiscal stimulus plans remain on track or if he will find his hands being tied by a Democrat-controlled House. The greatest shock of course would be if the Democrats were to take both the Senate and the House, effectively rendering Trump a lame duck president.
- While we have been expecting Trump to find solid support across the elections we note a growing number of reports suggesting that the Democrats could easily gain the net 23 seats needed to re-take control of the House. According to Bloomberg, this includes survey data for the more competitive races that have showed nine districts being taken by the Democrats versus one transitioning to the GOP. Furthermore, Democratic support may be highlighted, it is suggested, by signs of a larger-than-normal voter turnout.



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- Playing devil's advocate though, what is not yet clear is whether such a turnout could be the result of a protest vote against Trump, or rather the electorate being mobilised to show support for the unarguably robust economic results that he has produced over the past two years since taking office. He may not have made many friends along the way, but he has largely done exactly what he said he would do during his election campaign.

Possible market implications:

- If the Republicans hold both the Senate and the House of Representatives, we would expect markets to react positively. The prospect of continued fiscal stimulus and pro-growth initiatives should be a fillip for risk appetite, even if the longer-term implications of Trump's protectionist trade policies are becoming more inflationary. In the near-term, we would also expect U.S. rates to sell off modestly on the prospect of the unencumbered ability of the Fed to maintain its rate tightening / balance sheet normalisation bias.
- Conversely, if the House of Representatives is taken by the Democrats we would expect to see a softer bias to equities and yields decline as treasuries are better bid. And if the Democrats achieve a clean-sweep, we would expect to see a risk-off reaction across the market as future economic and corporate earnings growth expectations are scaled back and greater political uncertainty is priced in.
- Time will tell... The first polls close at 03.00 UAE time on Wednesday (23.00 GMT, 18.00 EST Tuesday).

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	3.03%	-0.5	+7.2	-4.1	+104.5	+82.2
10Y	3.20%	-1.1	+7.8	-3.2	+88.5	+79.6
30Y	3.43%	-2.6	+6.4	+2.4	+63.4	+68.9

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	317.0	-0.9	+6.1	-0.2	+111.2	+92.7
10Y	326.3	-1.2	+7.1	-0.1	+97.1	+86.5
30Y	331.5	-1.2	+7.3	+1.6	+78.1	+77.8

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1407	+0.17%	+0.55%	-0.74%	-1.75%	-4.98%
GBP USD	1.3041	+0.55%	+2.64%	-0.37%	-0.99%	-3.49%
USD JPY	113.19	-0.01%	+0.05%	-0.04%	-0.46%	+0.44%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.3120	-2.15%	-2.99%	-13.08%	+38.73%	+39.86%
USD INR	73.1275	+0.95%	-0.75%	-1.27%	+13.06%	+14.49%
USD IDR	14,977.0	+0.15%	-1.62%	-1.58%	+10.74%	+10.49%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	395.2	-0.1	-17.4	-0.5	+54.3	+66.5
Sovx CEEMEA	88.2	-1.8	-5.8	-8.5	+41.2	+55.5
Itrax Xover	287.8	-1.3	-13.2	+7.3	+64.3	+54.6

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	66.1	+0.5	-2.8	+3.9	+3.2	+4.4
Kuwait 5Y	64.8	-0.1	-3.2	-4.4	-2.5	+0.8
Dubai 5Y	120.6	+2.0	-0.2	-1.4	-5.4	-1.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	74.6	+2.3	+1.1	+3.2	-31.7	-26.4
KSA 5Y	92.2	+0.1	+2.1	+20.7	+2.6	+0.5
Bahrain 5Y	289.3	+1.4	-1.2	+4.6	+20.7	+12.7

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	63.10	-0.06%	-4.65%	-15.12%	+10.03%	+4.44%
Brent Oil \$/bbl	73.17	+0.47%	-3.61%	-13.06%	+13.85%	+9.42%
Gold spot \$/oz	1,231.5	-0.11%	+0.70%	+3.65%	-3.94%	-5.47%
Silver spot \$/Troy oz	14.641	-0.50%	+1.17%	+1.88%	-14.98%	-13.56%
Aluminium 3MO \$	1,975.0	+0.10%	-0.45%	-7.28%	-9.61%	-12.92%
Nickel 3MO \$	11,750	-1.51%	-0.04%	-6.89%	-7.66%	-7.92%
Copper 3MO \$	6,191	-1.46%	+0.50%	+0.29%	-10.21%	-14.57%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,462	+0.76%	+4.17%	-3.73%	+8.12%	+3.00%
S&P 500	2,738	+0.56%	+3.67%	-5.10%	+5.68%	+2.42%
Nasdaq Composite	7,329	-0.38%	+3.95%	-5.90%	+7.99%	+6.16%
Nikkei	21,899	-1.55%	+2.06%	-7.92%	-2.88%	-3.80%
Hang Seng	25,934	-2.08%	+5.49%	-2.40%	-9.31%	-13.32%
Shanghai	2,665	-0.41%	+3.79%	-5.53%	-21.33%	-19.40%
Mumbai Sensex	34,951	-0.17%	+3.13%	+1.67%	+3.62%	+2.63%
DAX	11,495	-0.21%	+1.41%	-5.09%	-14.65%	-11.01%
CAC 40	5,101	-0.01%	+2.25%	-4.81%	-7.37%	-3.97%
FTSE 100	7,104	+0.14%	+1.10%	-2.93%	-6.06%	-7.60%
DJ Stoxx 50	3,217	+0.09%	+1.98%	-3.83%	-12.63%	-8.18%
FTSE MIB Index	19,281	-0.56%	+1.27%	-5.23%	-16.18%	-11.77%
SMI Index	9,009	+0.18%	+2.84%	-0.37%	-3.02%	-3.98%
MENA						
Abu Dhabi – ADX	4,972	+1.07%	+2.40%	-0.70%	+12.11%	+13.05%
Dubai – DFM	2,795	-0.01%	+1.87%	+0.11%	-21.14%	-17.07%
Saudi Arabia	7,802	-0.57%	-0.58%	-2.44%	+11.70%	+7.97%
Qatar	10,458	+1.23%	+2.62%	+5.61%	+30.49%	+22.70%
Bahrain	1,316	+0.03%	+0.20%	-0.71%	+3.94%	-1.22%
Kuwait (Premier Market)	5,264	-0.12%	+0.74%	-0.97%	+10.01%	+6.42%
Oman	4,415	-0.22%	-0.13%	-2.45%	-13.08%	-13.42%
Egypt	13,235	+0.49%	+1.22%	-6.17%	-5.96%	-11.88%
Turkey	95,948	+1.94%	+5.97%	+1.12%	-15.96%	-16.81%

Source: Bloomberg

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