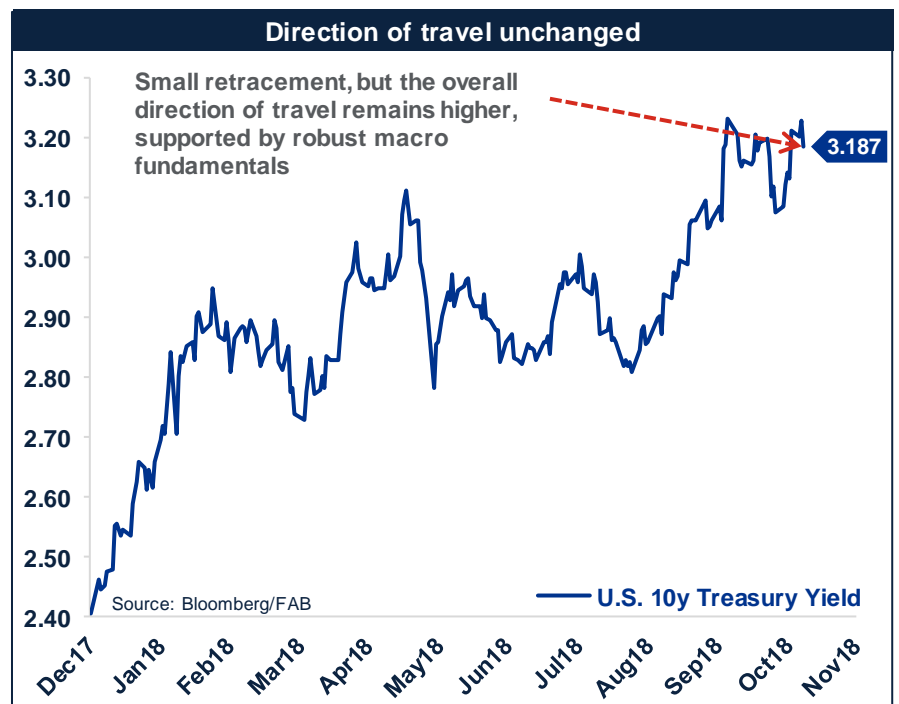


Daily Market Chatter

Macro Strategy View: U.S. Mid-Terms May Dampen, Not End, Risk Appetite

- So all eyes are firmly on the U.S. this morning as the results of the mid-term elections continue to flow in. What we know so far from the numbers is that the Republicans seem set to retain control of the Senate, while the Democrats could be on course to wrestle control of the House of Representatives, leaving markets to contemplate the prospect of the next 2 years of the Trump administration working with a split Congress.
- Market reaction has had a softer bias so far in the U.S. and a more positive reaction in Asia, amid the scaling back of expectations for Trump's future economic expansion plans. U.S. equity futures, while still in positive territory for now, have pared earlier gains and Treasuries have been better bid. The yield on the 10y bond has dipped around 3bps to 3.19%.



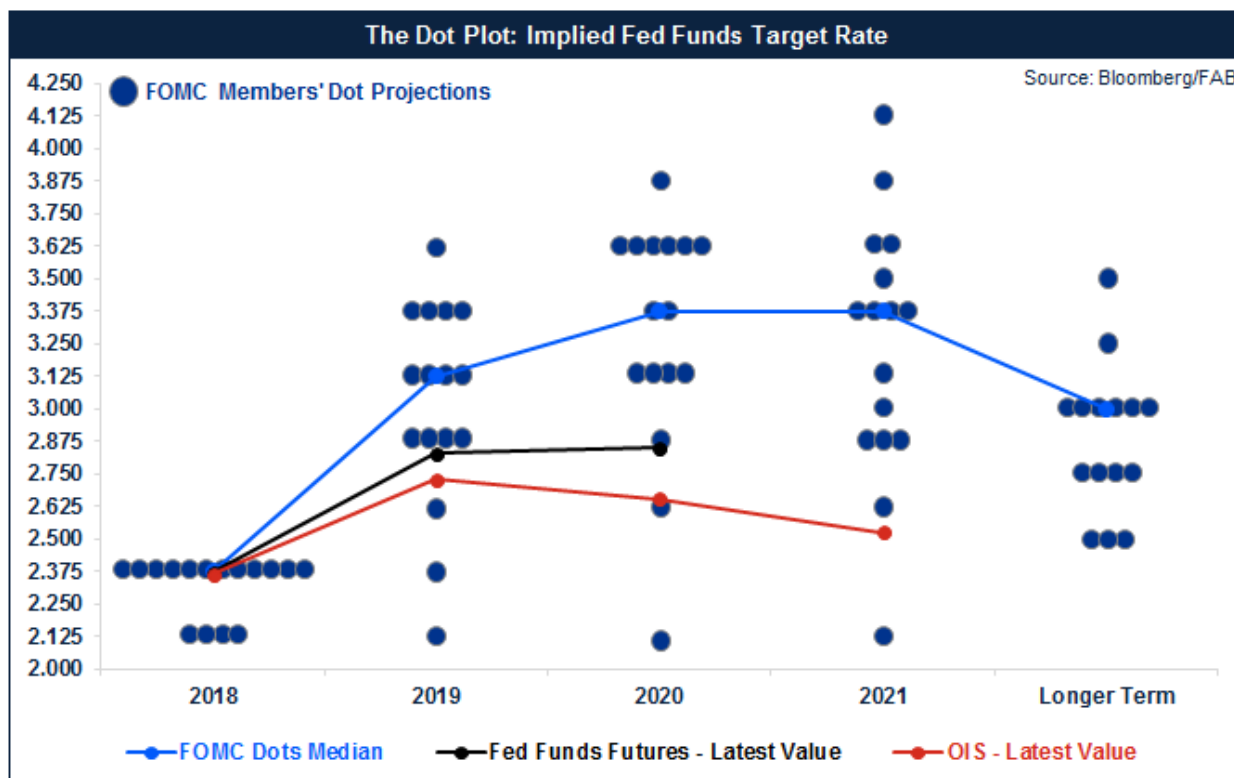
- Clearly, with a split Congress, Trump will find himself more restricted in terms of policy over the next 2 years and markets are now beginning to price in this element of uncertainty/deadlock. Unsurprisingly, the early results have been a fillip for Asian markets; the Hang Seng is up over 1% as of 9am UAE time and Chinese equities have gained 0.5% on average. The iTraxx Asia credit indices are tighter for choice.

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- As far as the U.S. domestic economy is concerned though, we already knew that the benefits of fiscal stimulus are short-term in nature and had already begun to scale back medium-term (U.S.) economic growth and interest rate forecasts from current buoyant levels. Therefore, even with a split Congress there should be little immediate change to baseline U.S. fiscal policy assumptions. The economy now simply adds a layer of transparency to its transition from a growth-positive state to growth-neutral state over the next 18-24 months.
- Trump's loose fiscal, pro-growth expansionary strategies will likely be regularly challenged by the Democrats, which could be an impediment to further meaningful gains by U.S. equity and credit markets. At the same time we would expect to see government bond yields – and hawkish Fed forecasts – being scaled back a tad against this more moderate growth backdrop.



- **Bottom line:** We would suggest that while the mid-term results – if indeed a split Congress is confirmed in the coming hours – may dampen U.S. risk asset sentiment in the near-term, they should not trigger a risk-off environment. Yes, volatility will likely remain elevated as we digest cross-Congress political rhetoric going forward, but this must be seen in the context of a still firm underlying U.S. macro fundamental picture – robust growth and tight labour market – which should remain supportive for risk assets at the margin.

Continued...

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	3.06%	+2.7	+8.0	-1.4	+106.7	+85.0
10Y	3.23%	-0.0	+8.3	-0.7	+91.2	+82.2
30Y	3.44%	+1.5	+5.2	+3.9	+66.6	+70.4

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	319.1	+2.1	+6.6	+1.9	+112.7	+94.8
10Y	328.6	+2.3	+7.5	+2.2	+99.2	+88.8
30Y	332.8	+1.3	+5.6	+2.8	+81.3	+79.1

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1427	+0.18%	+1.02%	-0.57%	-1.38%	-4.81%
GBP USD	1.3099	+0.44%	+2.61%	+0.07%	-0.51%	-3.06%
USD JPY	113.43	+0.21%	+0.43%	+0.18%	-0.51%	+0.66%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.3571	+0.85%	-4.04%	-12.34%	+37.84%	+41.04%
USD INR	73.0038	+0.78%	-0.91%	-1.44%	+12.87%	+14.30%
USD IDR	14,804.0	-1.16%	-2.62%	-2.72%	+9.54%	+9.21%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	393.8	-1.5	-18.9	-2.0	+49.3	+65.1
Sovx CEEMEA	85.8	-2.4	-6.8	-13.9	+36.5	+53.2
Itrax Xover	284.8	-2.9	-17.9	-2.2	+57.9	+51.6

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	66.2	+0.1	-2.8	-0.2	-2.3	+4.5
Kuwait 5Y	64.8	+0.0	-0.1	-4.6	-3.7	+0.8
Dubai 5Y	120.6	-0.0	-0.2	-1.7	-16.2	-1.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	73.8	-0.7	+1.6	-1.3	-38.3	-27.1
KSA 5Y	91.8	-0.5	+2.1	+14.5	-8.4	+0.1
Bahrain 5Y	271.5	-17.8	-17.1	-8.6	+4.4	-5.1

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	62.21	-1.41%	-4.75%	-16.32%	+8.76%	+2.96%
Brent Oil \$/bbl	72.13	-1.42%	-4.43%	-14.29%	+13.25%	+7.87%
Gold spot \$/oz	1,227.2	-0.35%	+1.02%	+3.29%	-3.77%	-5.80%
Silver spot \$/Troy oz	14.537	-0.71%	+2.02%	+1.16%	-14.24%	-14.17%
Aluminium 3MO \$	1,950.5	-1.24%	-0.84%	-8.43%	-10.16%	-14.00%
Nickel 3MO \$	11,775	+0.21%	+0.08%	-6.70%	-8.86%	-7.72%
Copper 3MO \$	6,158	-0.53%	+2.09%	-0.24%	-11.65%	-15.03%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,635	+0.68%	+3.06%	-3.07%	+8.82%	+3.70%
S&P 500	2,755	+0.63%	+2.71%	-4.51%	+6.36%	+3.06%
Nasdaq Composite	7,376	+0.64%	+2.99%	-5.30%	+8.99%	+6.85%
Nikkei	22,148	+1.14%	+1.04%	-6.88%	-3.44%	-2.71%
Hang Seng	26,121	+0.72%	+4.57%	-1.70%	-9.91%	-12.69%
Shanghai	2,659	-0.23%	+2.17%	-5.74%	-22.09%	-19.59%
Mumbai Sensex	34,992	-0.06%	+3.25%	+1.79%	+4.86%	+2.75%
DAX	11,484	-0.09%	+1.74%	-5.18%	-14.16%	-11.10%
CAC 40	5,075	-0.51%	+1.94%	-5.30%	-7.40%	-4.47%
FTSE 100	7,041	-0.89%	+0.07%	-3.80%	-6.29%	-8.42%
DJ Stoxx 50	3,207	-0.31%	+1.92%	-4.13%	-12.34%	-8.46%
FTSE MIB Index	19,268	-0.07%	+1.42%	-5.30%	-16.09%	-11.83%
SMI Index	8,992	-0.18%	+1.56%	-0.55%	-2.47%	-4.15%
MENA						
Abu Dhabi – ADX	5,004	+0.63%	+3.04%	+0.27%	+13.21%	+13.76%
Dubai – DFM	2,816	+0.74%	+2.63%	+0.91%	-19.11%	-16.45%
Saudi Arabia	7,812	+0.13%	-0.26%	-1.03%	+12.68%	+8.11%
Qatar	10,377	-0.78%	+2.10%	+5.38%	+30.84%	+21.75%
Bahrain	1,314	-0.12%	+0.08%	-0.76%	+4.86%	-1.34%
Kuwait (Premier Market)	5,264	-0.12%	+0.74%	-0.97%	+10.01%	+6.42%
Oman	4,421	+0.14%	+0.01%	-2.10%	-12.95%	-13.30%
Egypt	13,436	+1.52%	+2.14%	-4.74%	-4.42%	-10.54%
Turkey	94,728	-1.27%	+5.25%	-0.16%	-15.63%	-17.87%

Source: Bloomberg

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