

Daily Market Chatter

Macro Strategy View: Brexit breakthrough or cul-de-sac?

- So, we have a Brexit breakthrough.... or do we? GBP-denominated markets are likely to feel excited this morning in the wake of press reports late Tuesday that a Brexit withdrawal agreement text has been agreed between the UK government and EU officials. But let's not get too carried away. Near-term outperformance in U.K risk assets could be a false dawn and more an opportunity to sell into strength.
- We would conjecture that sign-off of the 'deal' by Prime Minister May's cabinet can by no means be guaranteed; there have already been several dismissive comments from a number of leading Brexiteers, such as John Redwood and Boris Johnson, which could dampen any near-term euphoria. Indeed, the Telegraph newspaper reports that a number of Brexit-supporting European Research Group members, as well as a number of other senior politicians, may currently be considering their positions and could resign over the plan. This certainly shouldn't be seen as a done deal.



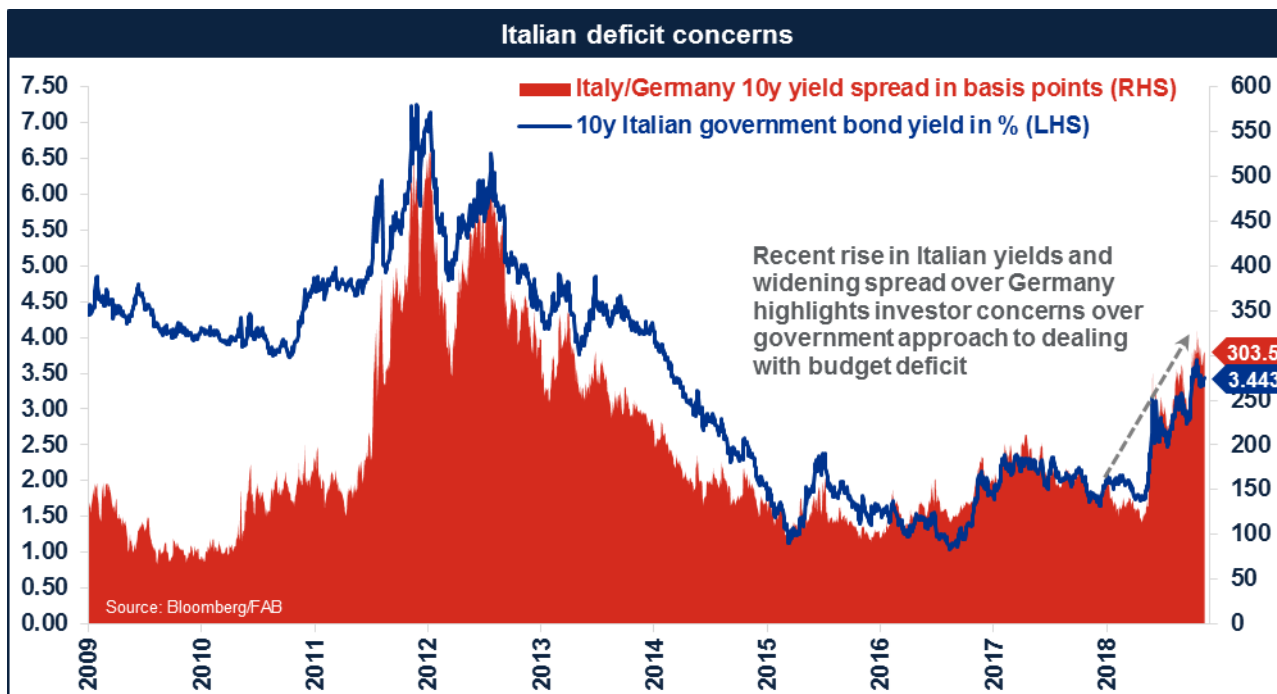
- Moreover, the fact that chief EU negotiator Michel Barnier has described Brexit negotiations as making progress, but 'not there yet' should encourage investors to limit near-term strength in GBP. Indeed, while GBP has rallied overnight, with cable touching a high of \$1.3047 according to Bloomberg, the currency has already pared gains to back to the \$1.2990 level by the time of writing at 9am UAE time.
- Looking ahead, we continue to fear that the balance of risks for GBP still lies to the downside as the so-called 'deal' proves unattainable amid a lack of domestic support.

14th November 2018

Simon Ballard
 Macro Strategist

Please click [here](#) to view our recent publications on MENA and Global Markets

- Meanwhile, there is plenty to focus on elsewhere today in terms of global macro and geopolitics, all of which will tend to buffet investor sentiment over the coming days and weeks. Global trade concerns and the recent selloff in the oil price amid changing demand/supply dynamics will tend to cast a veil of uncertainty over the near-term outlook for crude. The spotlight will also be on Fed chair Powell later when he takes part in a moderated discussion with Dallas Fed President Robert Kaplan; investors will be looking for any update on Fed rate tightening intentions.



- Focus also seems likely to intensify on Italy, where the coalition government continues to defy the European Commission, by refusing to reverse its spending and fiscal deficit plans. If such deadlock were to persist, we believe that the specter of Brussels imposing financial sanctions on Rome would put Italian risk under pressure and could reignite the Euro sustainability debate. Buckle up.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.98%	-5.1	-9.5	-3.1	+92.6	+77.8
10Y	3.14%	-4.2	-9.6	-2.2	+76.8	+73.5
30Y	3.36%	-2.5	-8.2	+2.5	+52.9	+62.0

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	312.0	-4.7	-8.7	-2.2	+100.1	+87.6
10Y	320.0	-4.4	-9.2	-0.7	+84.4	+80.2
30Y	327.2	-2.8	-2.9	+3.8	+68.7	+73.6

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1290	+0.64%	-1.19%	-2.50%	-4.31%	-5.96%
GBP USD	1.2977	+1.00%	-1.14%	-1.33%	-1.43%	-3.97%
USD JPY	113.81	-0.03%	+0.26%	+1.83%	+0.31%	+0.99%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.4774	+0.22%	+2.17%	-5.35%	+40.94%	+44.21%
USD INR	72.6738	-0.30%	-0.45%	-1.55%	+11.09%	+13.78%
USD IDR	14,805.0	-0.10%	+1.47%	-2.73%	+9.23%	+9.12%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	411.0	+10.3	-1.6	+11.0	+64.9	+82.3
Sovx CEEMEA	87.0	+0.0	+1.1	-6.3	+34.4	+54.3
Itrax Xover	293.8	-1.0	+9.3	+4.3	+44.5	+60.6

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.7	+0.7	+1.6	+0.1	+0.7	+6.1
Kuwait 5Y	58.9	-5.9	-5.9	-10.3	-11.4	-5.0
Dubai 5Y	120.8	-6.8	+0.2	-6.6	-16.4	-1.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	75.5	+2.4	+1.7	+0.1	-32.0	-25.4
KSA 5Y	96.0	+1.2	+4.2	+9.5	-7.0	+4.3
Bahrain 5Y	259.9	+2.9	-11.5	-34.9	-22.7	-16.6

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	55.69	-7.07%	-9.70%	-21.94%	-0.02%	-7.83%
Brent Oil \$/bbl	65.47	-6.63%	-9.16%	-18.60%	+5.24%	-2.09%
Gold spot \$/oz	1,202.2	+0.15%	-1.98%	-2.02%	-6.09%	-7.72%
Silver spot \$/Troy oz	14.001	+0.02%	-3.96%	-4.72%	-17.75%	-17.34%
Aluminium 3MO \$	1,935.5	-0.33%	-0.77%	-5.17%	-8.18%	-14.66%
Nickel 3MO \$	11,345	-0.48%	-3.65%	-10.35%	-9.17%	-11.09%
Copper 3MO \$	6,073	+0.40%	-1.38%	-3.63%	-11.92%	-16.20%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,286	-0.40%	-1.36%	-0.21%	+8.02%	+2.29%
S&P 500	2,722	-0.15%	-1.21%	-1.62%	+5.56%	+1.82%
Nasdaq Composite	7,201	+0.00%	-2.37%	-3.95%	+6.87%	+4.31%
Nikkei	21,811	-2.06%	-1.25%	-3.90%	-2.54%	-4.19%
Hang Seng	25,793	+0.62%	-1.36%	-0.03%	-11.52%	-13.79%
Shanghai	2,655	+0.93%	+0.51%	+1.84%	-22.59%	-19.72%
Mumbai Sensex	35,144	+0.95%	+0.44%	+1.18%	+6.69%	+3.19%
DAX	11,472	+1.30%	-0.11%	-0.45%	-11.98%	-11.19%
CAC 40	5,102	+0.85%	+0.53%	+0.12%	-4.02%	-3.97%
FTSE 100	7,054	+0.01%	+0.19%	+0.83%	-4.86%	-8.25%
DJ Stoxx 50	3,225	+0.96%	+0.54%	+0.95%	-9.32%	-7.97%
FTSE MIB Index	19,227	+0.90%	-0.22%	-0.15%	-13.77%	-12.02%
SMI Index	9,015	+0.35%	+0.26%	+4.10%	-1.26%	-3.91%
MENA						
Abu Dhabi – ADX	4,967	+0.25%	-0.74%	+0.72%	+13.75%	+12.92%
Dubai – DFM	2,776	-0.98%	-1.42%	+2.27%	-20.45%	-17.64%
Saudi Arabia	7,751	-0.31%	-0.79%	+6.67%	+11.06%	+7.26%
Qatar	10,315	-0.96%	-0.60%	+4.99%	+31.00%	+21.02%
Bahrain	1,305	-0.26%	-0.68%	-0.82%	+3.58%	-2.01%
Kuwait (Premier Market)	5,297	+0.13%	+0.64%	+2.67%	+10.98%	+7.10%
Oman	4,467	-0.28%	+1.04%	-0.67%	-12.66%	-12.39%
Egypt	13,544	-0.98%	+0.80%	+0.05%	-4.17%	-9.82%
Turkey	92,709	+1.38%	-2.13%	-4.09%	-15.83%	-19.62%

Source: Bloomberg

Overnight market headlines

Global News

- Britain agrees Brexit divorce deal with EU; May puts Brexit deal to cabinet as political peril ramps up
- Italy remains defiant over government budget plans
- Kudlow says US and China talking 'at all levels' on trade
- China industrial output, investment beat forecasts; retail sales miss
- Asia stocks mixed as oil seeks floor; Pound rises, while dollar index just off an 18-month high

Middle East & Africa News

- IMF sees rising economic growth in Gulf on higher oil prices; projects 2.4% growth for GCC in 2018 and 3% in 2019
- IMF projects UAE's economic growth at 2.9% in 2018 and 3.7% in 2019
- IMF sees Saudi Arabia economy growing 2.2% in 2018 and 2.4% in 2019; says reform program in right direction but needs to 'scale up'
- Saudi Arabia's King Salman to resume domestic tour next week
- ADNOC, ENI sign deal for 25% stake in Abu Dhabi gas mega project
- Emaar Development nine-month net profit rises 19% as revenue soars on Dubai property sales
- Union Properties swings to nine-month net profit
- Damac boss sees 'difficult year' ahead for Dubai property market
- Dubai's Emirates airline warns oil, dollar to hit H1 profit
- Dubai aircraft lessor DAE triples third-quarter profit following Awas acquisition
- Most Gulf stock markets fall as Trump comment trips up oil; Abu Dhabi index gains

Please refer to our daily news summary if you wish to read the full articles

Simon Ballard

Executive Director & Macro Strategist

Market Insight & Strategy

FAB Global Markets

Tel: +971-2-6110157

Mobile: +971-50-9332806

Email: Simon.Ballard@bankfab.com

Please click [here](#) to view our recent publications on MENA and Global Markets

Disclaimer: To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (the "Bank") and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an "as is" and "as available" basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.