

Daily Market Chatter

Macro Strategy View: GBP relief rally could be short-lived

- It's a nervous end to the week for MENA/GCC markets with equity market volatility elevated again and the Asia iTraxx credit indices softer for choice. On a slightly more positive note, although the oil price is down from Wednesday's close, it is holding above the lows seen earlier in the week.
- Much of the market has been preoccupied by Brexit negotiations over the past 48 hours, amid much anticipation ahead of U.K. prime minister May's press statement on Wednesday evening. However, while May announced that her cabinet has (grudgingly) approved the wording of the 585-page Brexit accord, and cable has breathed a small sigh of relief, this should be interpreted as no more than a round one win. If anything, intensifying political uncertainty seems set to continue to engulf the outlook for the U.K. and GBP risk assets over the coming weeks and months.

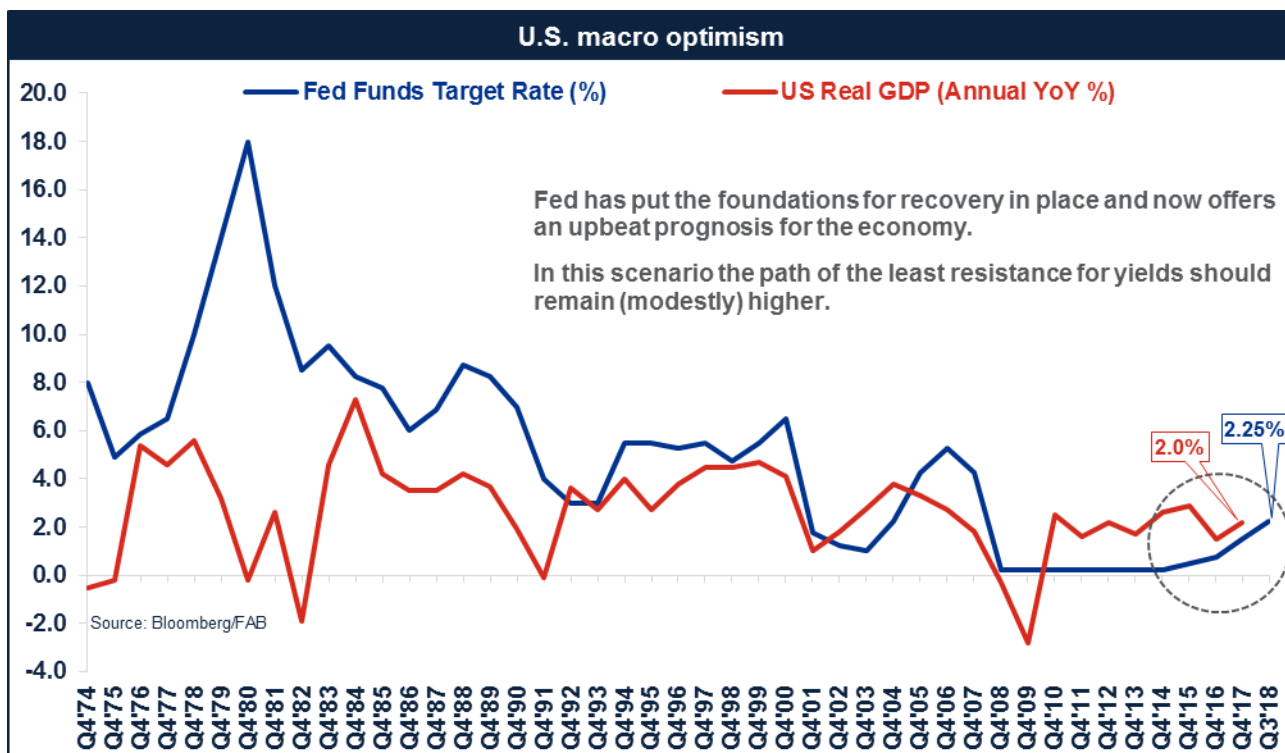


- Indeed, we would conjecture that the coming days could prove to be the most perilous of May's 2-year premiership as she now attempts to get her plan approved by parliament. Such is the extent of vitriol and disagreement among the various political factions toward her Brexit accord that there must now be a not insignificant risk to her position. Sterling may be trading higher this morning after yesterday's announcement, but strength could be short-lived. We maintain our view that the balance of U.K. and GBP risks remains to the downside and would look to fade any sustained near-term strength in cable much above the current \$1.3010 level.

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➤ Elsewhere in global markets the fragility of investor sentiment is also evident, fueled by ongoing trade concerns and the prospect of moderating global growth expectations. Meanwhile, Fed chair Powell has effectively put the market on notice that a December Fed rate rise is still very much in the cards. Against a backdrop of robust U.S. macroeconomic conditions, recent equity market volatility is seen having little negative impact on the FOMC's balance sheet normalization process. Aside recent nervousness surrounding trade tariffs and Brexit etc., we believe that the longer-term path of least resistance for rates/yields remains higher.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.96%	-2.7	-13.5	-5.3	+92.5	+75.1
10Y	3.13%	-1.5	-11.2	-3.1	+80.3	+72.1
30Y	3.37%	+0.7	-6.7	+3.0	+60.2	+62.7

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	309.9	-2.1	-11.5	-4.4	+101.4	+85.5
10Y	318.9	-1.1	-10.3	-1.8	+87.7	+79.1
30Y	324.6	-2.7	-8.8	+1.1	+69.7	+70.9

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1310	+0.18%	-0.47%	-2.32%	-4.08%	-5.79%
GBP USD	1.2992	+0.12%	-0.54%	-1.22%	-1.36%	-3.86%
USD JPY	113.63	-0.16%	-0.39%	+1.66%	+0.66%	+0.83%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.4604	-0.31%	-0.02%	-5.65%	+40.70%	+43.76%
USD INR	72.3100	-0.50%	-0.95%	-2.05%	+10.89%	+13.21%
USD IDR	14,787.0	-0.12%	+1.71%	-2.84%	+9.26%	+8.98%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	413.7	+2.6	+1.0	+13.7	+63.6	+85.0
Sovx CEEMEA	87.2	+0.2	+6.1	-3.3	+34.4	+54.6
Itrax Xover	300.2	+6.4	+19.9	+9.5	+48.6	+67.0

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	68.1	+0.4	+2.0	+1.6	-1.3	+6.5
Kuwait 5Y	64.8	+5.9	+0.0	-4.7	-4.6	+0.9
Dubai 5Y	120.6	-0.1	-1.0	-6.5	-17.3	-1.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	74.3	-1.2	+2.2	-0.7	-33.8	-26.7
KSA 5Y	94.4	-1.6	+3.7	+6.6	-6.8	+2.7
Bahrain 5Y	259.7	-0.3	-12.0	-33.3	-24.4	-16.9

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	56.25	+1.01%	-7.29%	-21.64%	+1.66%	-6.90%
Brent Oil \$/bbl	66.12	+0.99%	-6.41%	-18.15%	+6.87%	-1.12%
Gold spot \$/oz	1,210.9	+0.72%	-1.07%	-1.32%	-5.26%	-7.06%
Silver spot \$/Troy oz	14.137	+0.97%	-2.12%	-3.79%	-16.84%	-16.54%
Aluminium 3MO \$	1,943.0	+0.39%	-2.12%	-4.80%	-6.68%	-14.33%
Nickel 3MO \$	11,310	-0.31%	-4.31%	-10.63%	-3.99%	-11.36%
Copper 3MO \$	6,090	+0.28%	-1.02%	-3.36%	-9.90%	-15.97%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,081	-0.81%	-4.20%	-0.67%	+7.77%	+1.46%
S&P 500	2,702	-0.76%	-3.99%	-1.79%	+5.34%	+1.05%
Nasdaq Composite	7,136	-0.90%	-5.74%	-3.96%	+6.41%	+3.38%
Nikkei	21,846	+0.16%	-2.85%	-1.91%	-0.83%	-4.03%
Hang Seng	25,654	-0.54%	-2.19%	+0.82%	-11.08%	-14.25%
Shanghai	2,632	-0.85%	-0.13%	+2.50%	-22.64%	-20.41%
Mumbai Sensex	35,142	-0.01%	-0.27%	+0.79%	+7.27%	+3.19%
DAX	11,413	-0.52%	-1.44%	-1.74%	-12.05%	-11.65%
CAC 40	5,069	-0.65%	-1.34%	-0.51%	-4.38%	-4.59%
FTSE 100	7,034	-0.28%	-1.17%	+0.07%	-4.60%	-8.51%
DJ Stoxx 50	3,205	-0.60%	-1.26%	-0.16%	-9.60%	-8.52%
FTSE MIB Index	19,077	-0.78%	-2.37%	-1.09%	-13.91%	-12.70%
SMI Index	8,931	-0.93%	-1.32%	+3.21%	-1.74%	-4.80%
MENA						
Abu Dhabi – ADX	5,021	+1.10%	+0.10%	+1.79%	+15.77%	+14.16%
Dubai – DFM	2,776	+0.03%	-1.87%	+2.33%	-19.93%	-17.62%
Saudi Arabia	7,660	-1.17%	-1.70%	+1.22%	+10.81%	+6.00%
Qatar	10,199	-1.12%	-0.52%	+3.71%	+31.41%	+19.66%
Bahrain	1,311	+0.43%	-0.44%	-0.41%	+3.59%	-1.59%
Kuwait (Premier Market)	5,297	+0.13%	+0.64%	+2.67%	+10.98%	+7.10%
Oman	4,460	-0.17%	+0.30%	-0.03%	-12.75%	-12.55%
Egypt	13,487	-0.42%	-0.94%	-0.25%	-3.84%	-10.20%
Turkey	93,287	+0.62%	-2.31%	-5.42%	-13.40%	-19.11%

Source: Bloomberg

Overnight market headlines

Global News

- After cabinet backing, May girds for Brexit battle in parliament
- US consumer inflation rises in October
- Powell credits Fed policy for the US economy being 'in a good place'
- China said to send written response to US trade reform demands
- China home prices gather pace in October as smaller cities sustain growth
- China approves \$13.2bn in fixed asset investment projects in October
- Chinese stocks lifted by China-US trade hopes while rest of Asia trade lower; Oil resumes retreat

Middle East & Africa News

- UAE's NMC Healthcare raises \$400m in a 5-year Sukuk offering
- Adnoc to invest \$1.4bn to boost onshore crude capacity; signs framework agreement with Mubadala to explore downstream investments
- Dubai's Emaar Properties says 9M profit rises 28% before considering effect of Emaar Development IPO and FX movement; reports 29% fall in Q3 profit
- Dubai's Damac Properties Q3 profit dives 68%, 9M profit falls 53%; CFO says Damac stops buying land and open to partnerships
- Dubai's Nakheel closes first 9 months with AED 3.86bn net profit
- Drake & Scull appoints new restructuring advisors
- Bahrain's Gulf International Bank raises \$500m financing facility
- Oil tumble hits Saudi stocks on Wednesday; Abu Dhabi index gains 1.1%

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