

Daily Market Chatter

Macro Strategy View: Biding Time To Go (Bottom) Fishing

- With U.S. equities having closed sharply lower overnight (S&P500 - 1.82%, Dow -2.21%) MENA and Asian markets are opening with a softer bias again Wednesday. The combination of deteriorating U.S./China trade relations, the specter of further Fed rate tightening still to come and the veil of uncertainty created by Brexit and the fragile political situation in the U.K., is all weighing heavy on global macro sentiment and damping risk appetite.
- Global equity screens are a sea of red this morning, with two exceptions being the Chinese CSI300 and Hang Seng that have managed to claw their way into positive territory as recent losses are pared. Nonetheless, we see little sign of any near-term meaningful turnaround in fortunes. Such has been the extent of risk appetite in recent months (taking equities to around record highs and credit spreads tight) that we believe it is now natural to expect the current trend for asset price differentiation to continue in the near-term.

Risk off sentiment

Major Stock Markets	Prev day Close	Net Chg	%Chg	AVAT	YTD	YTDCur
Americas						
Dow Jones Inds. Avg	24,466	-551.80	-2.21%	29.99%	-1.03%	13.20%
S&P 500	2,642	-48.84	-1.82%	17.21%	-1.19%	13.01%
S&P/TSX Comp	15	-194.02	-1.29%	8.36%	-8.22%	-0.74%
IBOVESPA	87,901	-614.45	-0.69%	-23.50%	15.05%	16.01%
EMEA						
Euro Stoxx 50	3,116	-44.26	-1.40%	+20.29%	-11.07%	-3.52%
FTSE 100	6,948	-52.97	-0.76%	-3.31%	-9.62%	-1.99%
CAC 40	4,925	-60.56	-1.21%	+10.72%	-7.30%	+0.58%
DAX	11,066	-178.13	-1.58%	+25.92%	-14.33%	-7.05%
IBEX 35	8,867	-139.80	-1.55%	-8.52%	-11.72%	-4.22%
FTSE MIB Index	18,471	-351.75	-1.87%	+15.48%	-15.48%	-8.30%
AEX	510	-8.42	-1.62%	+19.70%	-6.26%	+1.79%
OMX STKH30	1,457	-25.64	-1.73%	+55.72%	-7.62%	-4.72%
Swiss MKT	8,769	-43.16	-0.49%	+48.62%	-6.53%	+4.82%
RTS \$	1,116	-0.98	-0.09%	-29.76%	-3.34%	+10.61%
Asia/Pacific						
Nikkei	21,508	-75.58	-0.35%	-1.86%	-5.52%	+7.94%
Hang Seng	25,909	96.29	+0.27%	-8.65%	-13.38%	-1.13%
CSI 300	3,220	8.08	+0.25%	-18.44%	-19.96%	-14.20%
S&P/ASX 200	5,643	-29.01	-0.51%	+23.67%	-6.96%	-1.34%

Source: Bloomberg

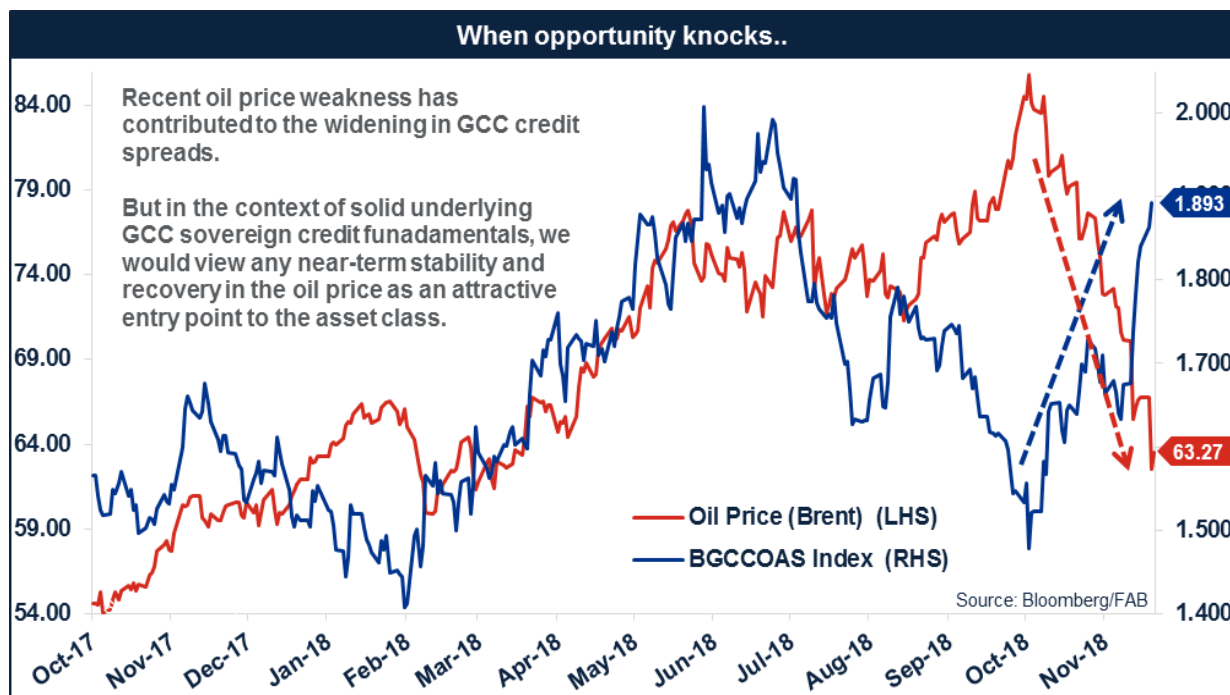
- Moreover, the U.S. Thanksgiving holiday tomorrow (and therefore an early market close today) and the consequent reduced liquidity will likely do little to help near-term volatility across (USD-denominated) asset prices. The debate is now very much alive as to where 'fair value' lies for equities and broader risk assets.

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- As part of the shifting global macro outlook, the sharp decline in the oil price since the beginning of October has pressured GCC credit spreads wider over the same period. While Brent crude has declined from around \$85bbl to \$63bbl over the past 6 weeks, this move has fuelled a 41bp widening in the Bloomberg Barclays credit index since October 3, according to Bloomberg data.



- However, in the context of the relative stability and tentative edging higher in the oil price overnight (WTI +0.87%, Brent +0.98% as of 9am UAE time) we are now closely watching the GCC credit market for investor perception that it is oversold. If oil can continue to show stability and sustained gradual upside potential, we would interpret current GCC/MENA risk asset valuations as attractive in the context of their selective strong underlying macro fundamentals.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.89%	+1.7	-9.7	-16.0	+78.8	+68.1
10Y	3.06%	-0.0	-7.7	-12.9	+70.7	+65.8
30Y	3.32%	-0.6	-4.5	-6.2	+55.7	+57.6

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	303.2	+1.8	-8.8	-15.6	+86.8	+78.8
10Y	312.9	+0.7	-7.1	-13.1	+76.9	+73.1
30Y	320.7	+0.1	-5.1	-9.0	+65.3	+66.4

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1370	-0.73%	+0.71%	-0.82%	-3.14%	-5.29%
GBP USD	1.2788	-0.51%	-1.46%	-1.35%	-3.41%	-5.37%
USD JPY	112.77	+0.20%	-0.91%	-0.04%	+0.28%	+0.07%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.3781	+1.23%	-1.81%	-5.14%	+35.93%	+41.60%
USD INR	71.4613	-0.64%	-1.67%	-2.86%	+9.78%	+11.88%
USD IDR	14,588.0	+0.00%	-1.47%	-3.94%	+7.83%	+7.62%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	435.3	+11.9	+24.2	+34.2	+90.0	+106.6
Sovx CEEMEA	92.2	+4.5	+5.2	-4.9	+41.5	+59.5
Itrax Xover	329.8	+2.6	+35.8	+28.8	+89.3	+96.6

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	70.1	+1.1	+2.4	+1.3	+1.2	+8.5
Kuwait 5Y	64.8	+0.0	+5.9	-2.7	+0.8	+0.9
Dubai 5Y	124.2	+2.6	+3.4	-4.9	-17.9	+1.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	79.1	+2.4	+3.6	+2.4	-28.4	-21.8
KSA 5Y	99.0	+2.5	+3.0	+1.6	+5.1	+7.2
Bahrain 5Y	275.5	+1.6	+15.5	-6.1	-2.7	-1.1

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	53.43	-5.87%	-4.06%	-22.70%	-5.98%	-11.57%
Brent Oil \$/bbl	62.53	-6.38%	-4.49%	-21.62%	-0.06%	-6.49%
Gold spot \$/oz	1,221.7	-0.21%	+1.62%	-0.04%	-4.60%	-6.23%
Silver spot \$/Troy oz	14.322	-0.73%	+2.29%	-1.66%	-15.58%	-15.45%
Aluminium 3MO \$	1,940.0	+0.31%	+0.23%	-3.15%	-7.00%	-14.46%
Nickel 3MO \$	11,095	-0.76%	-2.20%	-10.88%	-4.85%	-13.05%
Copper 3MO \$	6,184	-1.20%	+1.83%	-0.58%	-9.43%	-14.67%

Source: Bloomberg

Major Equities Markets

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GLOBAL						
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S&P 500	2,642	-1.82%	-2.95%	-4.55%	+1.65%	-1.19%
Nasdaq Composite	6,909	-1.70%	-4.06%	-7.25%	+0.68%	+0.08%
Nikkei	21,583	-1.09%	-1.04%	-4.21%	-3.72%	-5.19%
Hang Seng	25,840	-2.02%	+0.18%	+1.09%	-13.34%	-13.63%
Shanghai	2,646	-2.13%	-0.34%	+3.74%	-22.42%	-20.00%
Mumbai Sensex	35,475	-0.84%	+0.94%	+3.38%	+5.96%	+4.16%
DAX	11,066	-1.58%	-3.54%	-4.22%	-15.96%	-14.33%
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SMI Index	8,769	-0.49%	-2.73%	-1.16%	-5.95%	-6.53%
MENA						
Abu Dhabi – ADX	4,974	-0.34%	+0.14%	+0.62%	+15.40%	+13.08%
Dubai – DFM	2,750	-0.02%	-0.93%	+0.52%	-19.39%	-18.41%
Saudi Arabia	7,505	-0.73%	-3.17%	-2.03%	+10.72%	+3.86%
Qatar	10,268	-1.25%	-0.45%	+1.12%	+32.18%	+20.47%
Bahrain	1,306	-0.33%	+0.12%	-1.28%	+3.20%	-1.89%
Kuwait (Premier Market)	5,259	-0.21%	-0.71%	+1.76%	+11.86%	+6.34%
Oman	4,453	+0.03%	-0.31%	+0.20%	-12.43%	-12.67%
Egypt	13,906	-0.45%	+2.68%	+1.92%	+1.65%	-7.41%
Turkey	94,571	+1.02%	+3.42%	-1.95%	-8.99%	-18.00%

Source: Bloomberg

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