

Daily Market Chatter

Macro Strategy View: Political pressure points

- It's something of a lacklustre start in global markets today with Asian equities mixed and straddling unchanged, the dollar firm but steady and treasury yields holding recent levels with the 10y at 3.05% as of 10:50am UAE time. Investor sentiment continues to be mired in geopolitical uncertainty though and this is reflected in the softer bias to the Asia iTraxx credit indices and the better buying of protection.
- President Trump's increasingly belligerent rhetoric toward trade with China – threatening to increase tariffs on current \$200b of Chinese imports and cast the tariff net further if necessary – coupled with the fragile outlook for Brexit and the broader European political landscape are all weighing on generic risk appetite. Such opaqueness is also helping to keep implied equity market volatility elevated in the U.S. and Europe, with the VIX and V1X indices both trading above their year-to-date averages.



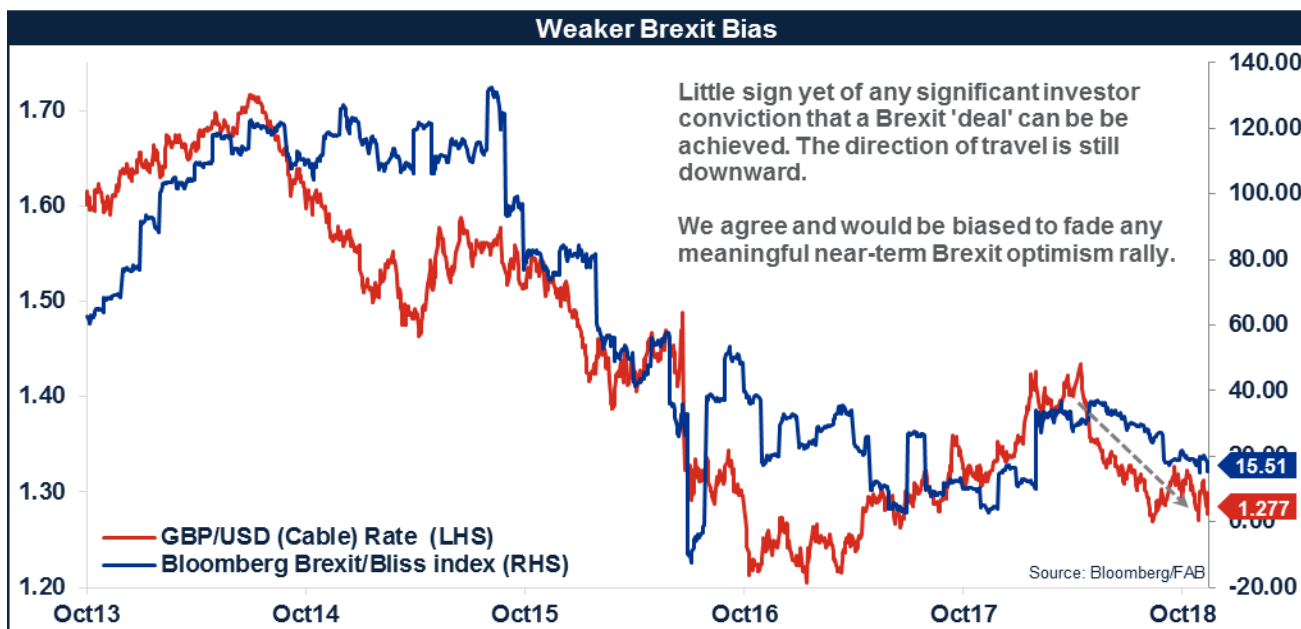
- Focus later this week will turn to the G20 meeting in Buenos Aires, with hopes of rapprochement between Presidents Trump and Xi. We would not expect any grand declaration of trade agreement to come out of the summit though, especially given failure of recent summits to produce an agreed communique. Perhaps the best we can expect to see will be an agreement to continue working toward agreement.

27th November 2018

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- On the Brexit front, U.K. Prime Minister May has announced that the parliamentary vote on her controversial 'Withdrawal Agreement' will be held on December 11. Yes, the EU has approved the wording – that should be no surprise as it keeps the U.K. tied to the EU for the foreseeable future – but consensus is that parliament will not approve the deal. If this is indeed the case, just three months ahead of the March 29 2019 Brexit date, all political hell could then break loose amid speculation not only about what happens next in terms of Brexit but also Theresa May's position itself. There could be a decided lack of Christmas cheer in Downing Street this year.



- GBP is holding above its year-to-date lows for now, but renewed political pressure – and any moves to oust Mrs. May from office in the wake of a failed vote on Dec 11 – would likely see the currency test the lows again. Given the parlous political outlook in London we continue to believe that GBP is more likely to test \$1.2000 than \$1.4000 in the near-term.

Major Rates & FX Pairs

| UST Yield | Prev day Close | Change (basis points) | | | | |
|-----------|----------------|-----------------------|------|------|-------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| 5Y | 2.89% | +1.8 | +1.5 | -2.2 | +83.8 | +67.9 |
| 10Y | 3.05% | +1.4 | -1.0 | -2.2 | +72.6 | +64.9 |
| 30Y | 3.31% | +0.9 | -1.0 | +0.1 | +54.4 | +57.2 |

Source: Bloomberg

| \$ Mid Swap | Prev day Close (bps) | Change (basis points) | | | | |
|-------------|----------------------|-----------------------|------|------|-------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| 5Y | 302.8 | +1.2 | +1.4 | -4.5 | +91.5 | +78.5 |
| 10Y | 311.4 | +0.9 | -0.8 | -3.8 | +79.3 | +71.6 |
| 30Y | 319.6 | +0.6 | -0.9 | -2.0 | +66.5 | +65.4 |

Source: Bloomberg

| Currency Cross | Prev day Close | % Change | | | | |
|----------------|----------------|----------|--------|--------|--------|--------|
| | | 1D | 1W | 1M | 1YR | YTD |
| EUR USD | 1.1328 | -0.08% | -1.10% | -0.40% | -4.79% | -5.64% |
| GBP USD | 1.2827 | +0.10% | -0.21% | +0.27% | -3.69% | -5.08% |
| USD JPY | 113.58 | +0.55% | +0.92% | +1.08% | +2.24% | +0.79% |

Source: Bloomberg

| Currency Cross | Prev day Close | % Change | | | | |
|----------------|----------------|----------|--------|--------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| USD TRY | 5.2485 | -0.72% | -1.20% | -5.62% | +34.38% | +38.18% |
| USD INR | 70.8675 | +0.24% | -1.10% | -3.51% | +9.87% | +10.95% |
| USD IDR | 14,475.0 | -0.47% | -0.77% | -4.91% | +7.16% | +6.79% |

Source: Bloomberg

MENA Credits

| Indices | Prev day Close (bps) | Change (basis points) | | | | |
|-------------|----------------------|-----------------------|-------|-------|-------|--------|
| | | 1D | 1W | 1M | 1YR | YTD |
| JPMEMBI Sov | 436.2 | +2.9 | +12.8 | +23.6 | +93.1 | +107.5 |
| Sovx CEEMEA | 97.0 | +2.5 | +9.4 | +3.0 | +50.1 | +64.4 |
| Itrax Xover | 329.6 | -5.8 | +3.3 | +28.6 | +92.1 | +96.4 |

Source: Bloomberg

| CDS | Prev day Close (bps) | Change (basis points) | | | | |
|--------------|----------------------|-----------------------|------|------|------|------|
| | | 1D | 1W | 1M | 1YR | YTD |
| Abu Dhabi 5Y | 70.9 | -0.1 | +1.9 | +2.0 | +5.7 | +9.2 |
| Kuwait 5Y | 64.8 | +0.0 | +0.0 | -3.2 | -6.0 | +0.9 |
| Dubai 5Y | 122.5 | -0.1 | +0.9 | +1.8 | -8.1 | +0.1 |

Source: Bloomberg

| CDS | Prev day Close (bps) | Change (basis points) | | | | |
|------------|----------------------|-----------------------|-------|------|-------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| Qatar 5Y | 78.9 | +0.9 | +2.2 | +5.4 | -26.1 | -22.1 |
| KSA 5Y | 99.1 | -0.6 | +2.6 | +8.9 | +10.8 | +7.3 |
| Bahrain 5Y | 289.0 | +5.1 | +15.2 | -1.4 | +17.3 | +12.4 |

Source: Bloomberg

Major Commodities Prices

| Commodities | Prev day Close | Change | | | | |
|------------------------|----------------|--------|--------|---------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| WTI Oil \$/bbl | 51.63 | +2.40% | -9.04% | -23.61% | -11.15% | -14.55% |
| Brent Oil \$/bbl | 60.48 | +2.86% | -9.45% | -22.08% | -5.26% | -9.56% |
| Gold spot \$/oz | 1,222.4 | -0.05% | -0.14% | -0.57% | -5.57% | -6.17% |
| Silver spot \$/Troy oz | 14.227 | -0.44% | -1.38% | -1.60% | -16.54% | -16.00% |
| Aluminium 3MO \$ | 1,951.5 | +0.13% | +0.90% | -2.33% | -8.47% | -13.96% |
| Nickel 3MO \$ | 10,875 | -0.37% | -2.73% | -8.61% | -9.64% | -14.77% |
| Copper 3MO \$ | 6,189 | -0.29% | -1.12% | +0.47% | -11.61% | -14.60% |

Source: Bloomberg

Major Equities Markets

| Major Stock Markets | Prev day Close | Change | | | | |
|-------------------------|----------------|--------|--------|--------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| GLOBAL | | | | | | |
| Dow Jones Inds. Avg | 24,640 | +1.46% | -3.04% | -0.19% | +4.49% | -0.32% |
| S&P 500 | 2,673 | +1.55% | -2.30% | +0.56% | +2.77% | -0.01% |
| Nasdaq Composite | 7,082 | +2.06% | -2.29% | -1.19% | +2.96% | +2.59% |
| Nikkei | 21,812 | +0.76% | -0.04% | +2.96% | -3.04% | -4.19% |
| Hang Seng | 26,376 | +1.73% | +0.02% | +6.71% | -11.15% | -11.84% |
| Shanghai | 2,576 | -0.14% | -4.72% | -0.89% | -22.47% | -22.11% |
| Mumbai Sensex | 35,354 | +1.07% | -1.18% | +6.01% | +4.83% | +3.81% |
| DAX | 11,355 | +1.45% | +0.98% | +1.38% | -12.66% | -12.10% |
| CAC 40 | 4,995 | +0.97% | +0.19% | +0.56% | -6.81% | -5.98% |
| FTSE 100 | 7,036 | +1.20% | +0.50% | +1.39% | -4.71% | -8.48% |
| DJ Stoxx 50 | 3,173 | +1.13% | +0.39% | +1.21% | -10.98% | -9.45% |
| FTSE MIB Index | 19,233 | +2.77% | +2.18% | +2.94% | -13.27% | -11.99% |
| SMI Index | 8,931 | +0.97% | +1.35% | +3.06% | -3.59% | -4.80% |
| MENA | | | | | | |
| Abu Dhabi – ADX | 4,963 | -0.18% | -2.30% | +1.65% | +16.09% | +12.83% |
| Dubai – DFM | 2,729 | +0.04% | -1.99% | -0.29% | -20.79% | -19.04% |
| Saudi Arabia | 7,529 | +0.22% | -0.41% | -3.91% | +8.50% | +4.19% |
| Qatar | 10,357 | +1.02% | -0.40% | +2.00% | +33.33% | +21.51% |
| Bahrain | 1,327 | +0.28% | +1.56% | +0.86% | +4.48% | -0.36% |
| Kuwait (Premier Market) | 5,295 | +0.03% | +0.12% | +1.28% | +12.02% | +7.07% |
| Oman | 4,393 | -0.01% | -1.36% | -1.35% | -14.01% | -13.86% |
| Egypt | 13,049 | -0.79% | -6.16% | +0.19% | -8.23% | -13.12% |
| Turkey | 93,962 | +1.03% | -0.64% | +3.78% | -10.31% | -18.53% |

Source: Bloomberg

Overnight market headlines

Global News

- Trump says he expects to raise China tariffs
- Trump says Brexit agreement may hamper US-British trade; UK differs
- Britain will head into unknown if Brexit deal is rejected, says May; Tory MPs said to back May's deal if she gives timetable for departure
- Draghi confirms plan to end QE despite weak economic data
- Asia mood soured by Trump tariff threat; Dollar, US treasuries steady; Oil dips after biggest gain in two months as OPEC talks in focus

Middle East & Africa News

- Abu Dhabi to see AED 60-70bn GDP boost in next 3 years
- Low oil prices may not be good for global growth, says Abu Dhabi sovereign wealth fund research head
- Saudi Arabia targets \$64bn in mining revenue by 2030
- Saudi Aramco signs \$27.5bn worth of deals at localisation event
- Aramco eyes bigger market share in Asia ahead of possible OPEC cut
- Aramco aims to become a global leader in chemicals
- Saudi Electricity to set up power generation subsidiary
- Al Hilal Bank executes the world's first Blockchain Sukuk transaction
- Saudi, other Gulf bourses gains marginally as oil edges up; Egypt falls for fifth day

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