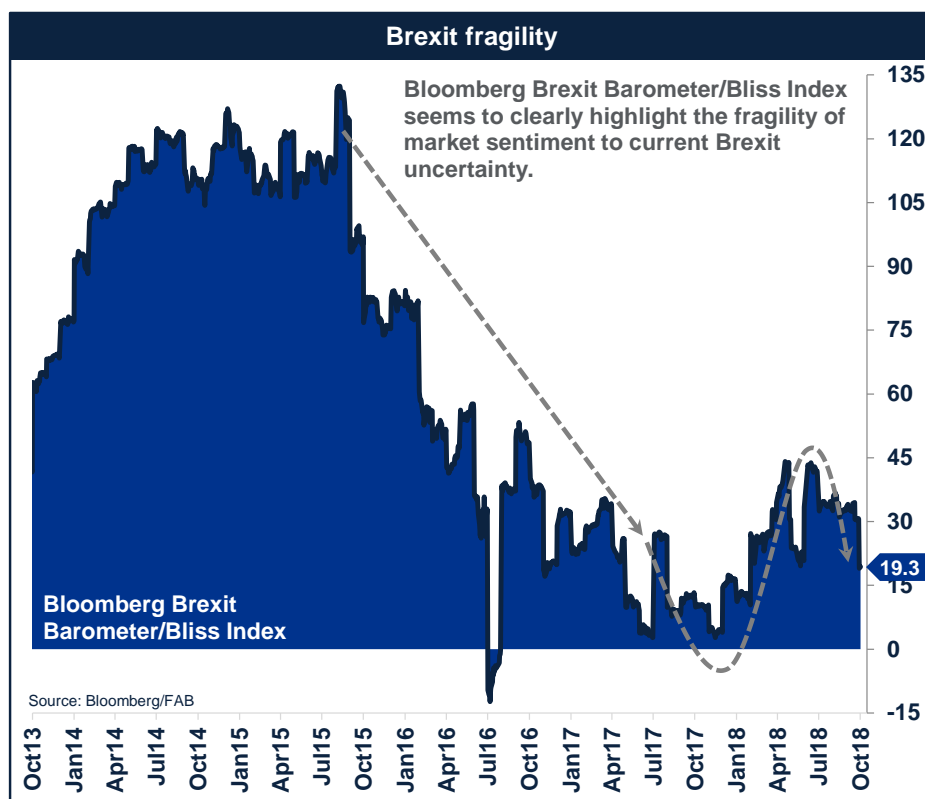


Daily Market Chatter

Macro Strategy View: Investors wary of wolves in sheep's clothing

- Negative price action in Asian equity markets early Tuesday and the wider bias to the iTraxx credit indices highlight the continued fragility of market sentiment, even after the U.S. agreed a trade accord with Canada to conclude NAFTA negotiations and press headlines alluded to a potential Brexit compromise on Irish border rules. At the time of writing the Hang Seng was quoted some 380 points (1.39%) lower, with the iTraxx Asia non-Japan IG credit index and the Australia IG credit index wider by 0.98bp and 1.44bp respectively. The U.S. 10y is steady around the 3.08% level while the dollar (DXY at 95.324) remains firm.
- Notwithstanding the above headlines, a veil of geopolitical risk continues to hang over markets. This is certainly still very much the case as far as the U.K. and sterling are concerned. Indeed, we would expect any attempt by U.K. risk assets (cable in particular) to rally significantly from current levels on Brexit 'deal' optimism to be faded in the near-term.



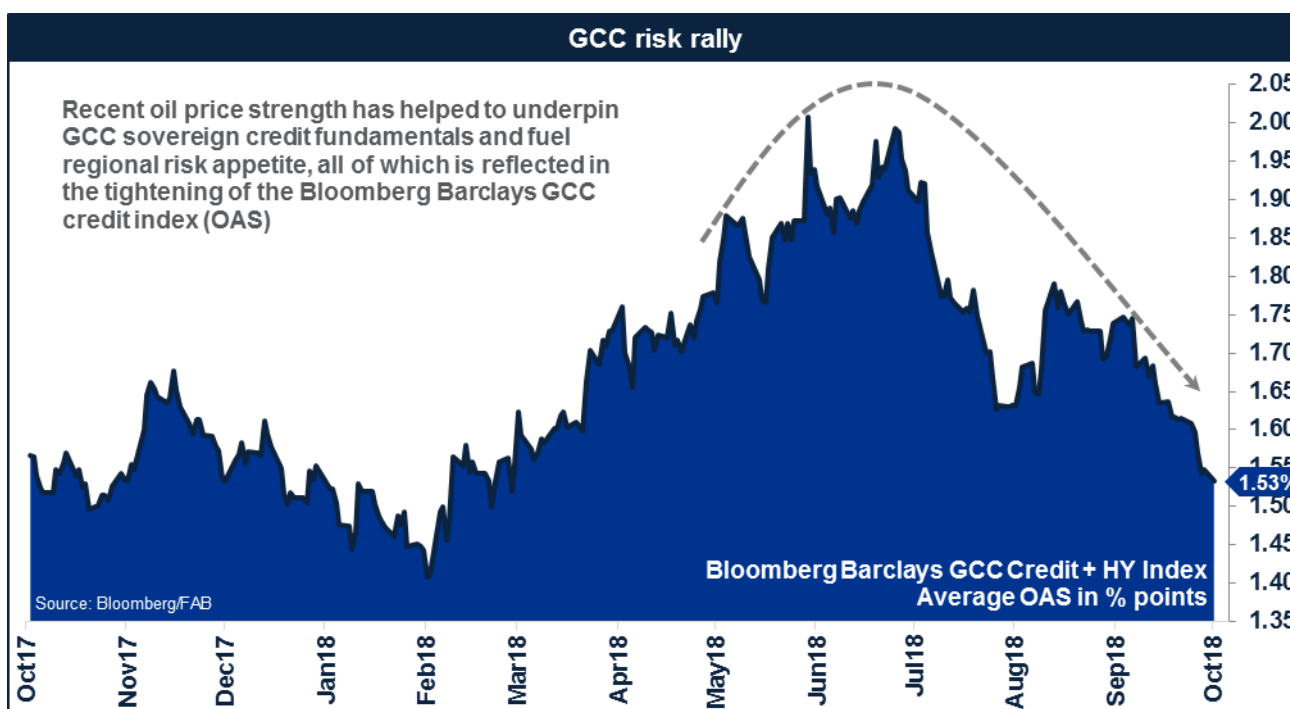
- In our opinion there are still many more questions than answers to the Brexit polemic. With the so-called Chequers plan binned by Brexiteers, the proposal of a 'Canada-plus' arrangement viewed by many economists as unsuitable for the U.K. economy and a 'no deal' Brexit seen as leading to near-term trade and logistics gridlock for the country, the near-term outlook for the U.K. remains unsettled at best.
- Indeed, on a trip to the U.K. this past weekend, this strategist was surprised by the degree of entrenched negativity and near despair of many in the Brexit debate across the country.

2nd October 2018

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 Macro Strategist

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- The lack of an obvious solution to Brexit coupled with the specter of political instability over the coming weeks and months – exacerbated by fears of a possible leadership challenge to prime minister May coming out of this week’s Conservative Party annual conference – is clearly fueling uncertainty among investors, which seems set to weigh on absolute levels of near-term U.K. risk appetite.
- Meanwhile, sentiment in the GCC region should remain buoyant in comparison, underpinned by the continued strengthening in the oil price, with Brent now back up at a 4yr high. The latest rise in the oil price, fueled by data showing a slowdown in U.S. drilling, at a time of already limited supply from Iran and Venezuela, has carried clear positive ramifications for GCC sovereign credit fundamentals. This said, from a sustainability perspective, we hope further oil price upside will prove to be modest and measured from here, so as to allay any concerns about a future price ‘correction’.



Major Rates & FX Pairs

| UST Yield | Prev day Close | Change (basis points) | | | | |
|-----------|----------------|-----------------------|------|-------|--------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| 5Y | 2.96% | +0.9 | -0.6 | +22.3 | +102.7 | +75.6 |
| 10Y | 3.08% | +2.2 | -0.5 | +22.3 | +74.3 | +67.9 |
| 30Y | 3.24% | +2.9 | +0.9 | +21.5 | +36.1 | +49.5 |

Source: Bloomberg

| \$ Mid Swap | Prev day Close (bps) | Change (basis points) | | | | |
|-------------|----------------------|-----------------------|------|-------|--------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| 5Y | 308.0 | +1.0 | -0.7 | +20.3 | +107.6 | +83.7 |
| 10Y | 313.7 | +1.6 | -0.8 | +20.9 | +83.6 | +73.9 |
| 30Y | 314.4 | +3.0 | -0.1 | +18.4 | +59.8 | +60.7 |

Source: Bloomberg

| | Prev day Close | % Change | | | | |
|---------|----------------|----------|--------|--------|--------|--------|
| | | 1D | 1W | 1M | 1YR | YTD |
| EUR USD | 1.1578 | -0.22% | -1.45% | -0.35% | -1.32% | -3.56% |
| GBP USD | 1.3042 | +0.08% | -0.59% | +1.34% | -1.76% | -3.49% |
| USD JPY | 113.93 | +0.20% | +1.00% | +2.57% | +1.03% | +1.10% |

Source: Bloomberg

| | Prev day Close | % Change | | | | |
|---------|----------------|----------|--------|---------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| USD TRY | 5.9397 | -1.92% | -3.47% | -10.49% | +66.49% | +56.38% |
| USD INR | 72.9125 | +0.43% | +0.38% | +2.38% | +11.70% | +14.16% |
| USD IDR | 14,910.0 | +0.05% | -0.07% | +0.64% | +10.13% | +9.89% |

Source: Bloomberg

MENA Credits

| Indices | Prev day Close (bps) | Change (basis points) | | | | |
|-------------|----------------------|-----------------------|------|--------|-------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| JPMEMBI Sov | 385.5 | +1.3 | -7.3 | -50.5 | +68.1 | +56.8 |
| Sovx CEEMEA | 81.5 | +0.1 | +1.0 | -104.5 | +40.8 | +48.8 |
| Itrax Xover | 273.5 | -1.5 | +2.3 | -24.5 | +24.2 | +40.3 |

Source: Bloomberg

| CDS | Prev day Close (bps) | Change (basis points) | | | | |
|--------------|----------------------|-----------------------|------|------|------|------|
| | | 1D | 1W | 1M | 1YR | YTD |
| Abu Dhabi 5Y | 61.1 | -0.1 | -2.7 | -2.7 | +0.7 | -0.5 |
| Kuwait 5Y | 66.4 | -0.5 | -0.6 | +1.8 | -6.6 | +2.5 |
| Dubai 5Y | 122.9 | +0.5 | -3.6 | +0.4 | -7.3 | +0.5 |

Source: Bloomberg

| CDS | Prev day Close (bps) | Change (basis points) | | | | |
|------------|----------------------|-----------------------|-------|-------|-------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| Qatar 5Y | 67.3 | -0.8 | -10.2 | -15.3 | -29.9 | -33.6 |
| KSA 5Y | 67.5 | -0.9 | -9.6 | -15.1 | -17.4 | -24.2 |
| Bahrain 5Y | 297.0 | -9.6 | -30.7 | -54.4 | +57.0 | +20.4 |

Source: Bloomberg

Major Commodities Prices

| Commodities | Prev day Close | Change | | | | |
|------------------------|----------------|--------|--------|--------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| WTI Oil \$/bbl | 75.30 | +2.80% | +4.47% | +7.88% | +48.87% | +24.63% |
| Brent Oil \$/bbl | 84.98 | +2.73% | +4.66% | +9.76% | +51.43% | +27.08% |
| Gold spot \$/oz | 1,189.0 | -0.16% | -0.84% | -1.02% | -6.46% | -8.74% |
| Silver spot \$/Troy oz | 14.489 | -1.14% | +1.64% | -0.19% | -12.64% | -14.46% |
| Aluminium 3MO \$ | 2,084.0 | +1.07% | +1.17% | -1.93% | -0.86% | -8.11% |
| Nickel 3MO \$ | 12,505 | -0.75% | -3.47% | -2.30% | +19.10% | -2.00% |
| Copper 3MO \$ | 6,249 | -0.14% | -1.64% | +4.59% | -3.58% | -13.77% |

Source: Bloomberg

Major Equities Markets

| Major Stock Markets | Prev day Close | Change | | | | |
|-------------------------|----------------|--------|--------|--------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| GLOBAL | | | | | | |
| Dow Jones Inds. Avg | 26,651 | +0.73% | +0.34% | +2.64% | +18.15% | +7.82% |
| S&P 500 | 2,925 | +0.36% | +0.18% | +0.80% | +15.64% | +9.39% |
| Nasdaq Composite | 8,037 | -0.11% | +0.55% | -0.89% | +23.33% | +16.43% |
| Nikkei | 24,246 | +0.52% | +1.57% | +6.04% | +18.85% | +6.50% |
| Hang Seng | 27,789 | +0.26% | +1.05% | -0.36% | +0.85% | -7.12% |
| Shanghai | 2,821 | +0.52% | +0.85% | +3.53% | -15.75% | -14.69% |
| Mumbai Sensex | 36,526 | +0.56% | +0.61% | -5.48% | +16.76% | +7.25% |
| DAX | 12,339 | +0.75% | -0.10% | -0.20% | -4.37% | -4.48% |
| CAC 40 | 5,507 | +0.24% | +0.56% | +1.85% | +2.92% | +3.66% |
| FTSE 100 | 7,496 | -0.19% | +0.50% | +0.85% | +0.76% | -2.50% |
| DJ Stoxx 50 | 3,414 | +0.44% | +0.11% | +0.63% | -5.23% | -2.56% |
| FTSE MIB Index | 20,610 | -0.49% | -3.42% | +1.68% | -9.65% | -5.69% |
| SMI Index | 9,127 | +0.43% | +2.02% | +1.71% | -1.25% | -2.72% |
| MENA | | | | | | |
| Abu Dhabi – ADX | 4,980 | +0.90% | +1.86% | +0.80% | +12.47% | +13.21% |
| Dubai – DFM | 2,850 | +0.52% | +3.50% | +0.27% | -19.98% | -15.45% |
| Saudi Arabia | 8,038 | +0.48% | +3.47% | +1.55% | +11.27% | +11.23% |
| Qatar | 9,790 | -0.24% | +0.60% | -0.75% | +17.93% | +14.86% |
| Bahrain | 1,335 | -0.26% | -1.55% | -0.13% | +4.02% | +0.25% |
| Kuwait (Premier Market) | 5,329 | -0.27% | +0.89% | +1.06% | +1.25% | +7.76% |
| Oman | 4,538 | -0.12% | +1.90% | +2.31% | -12.50% | -11.01% |
| Egypt | 14,447 | -1.16% | +1.73% | -8.87% | +3.19% | -3.81% |
| Turkey | 98,537 | -1.42% | -1.01% | +6.27% | -5.19% | -14.56% |

Source: Bloomberg

Overnight market headlines

Global News

- Trump hails Canada, Mexico trade pact as win for US workers
- US factory activity slows; construction spending edges up
- Euro zone worried Italy's deficit-boosting budget plan could revive crisis
- 'Don't bully us', Britain takes new combative tone to Brexit talks
- Asian shares fall, dollar consolidates gains; Oil steadies near a 2014 high

Middle East & Africa News

- IMF lifts UAE growth forecasts on oil, state spending; sees Abu Dhabi's non-oil economy growth picking up to 2.3% this year
- IMF expects Dubai's economy to grow 3.3% this year; says govt. finances not a source of concern, overall risks are manageable
- Saudi Arabia on track to balance books by 2023
- Saudi Aramco may borrow up to \$50bn from banks for SABIC, says report
- IPIC seeks bond holders' consent to agree Mubadala Investment Company as guarantor and Mubadala Development Company as issuer
- Oman Oil to raise \$850m revolving loan
- Egypt sells \$50.62m of T-bonds after cancelled auctions
- Egypt stocks fall on currency worries, Saudi and UAE rise
- Fitch downgrades 20 Turkish banks; Outlook negative

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