

## Daily Market Chatter

### Macro Strategy View: Walking on egg shells

- There has been more of a mixed tone to global markets overnight with Asian equities and the iTraxx credit indexes all straddling unchanged. The bias remains toward the weaker end of sentiment though; concerns remain elevated about global trade, EM currency volatility, Brexit and global monetary policy.
- Italy is also creating waves in the market this morning after reports that the Italian government will pledge to cut the country's budget deficit to 2% by 2021, thereby apparently reversing its initial proposal to maintain a 2.4% deficit.
- However, while BTP yields will likely see a relief rally on the back of these headlines after the 10-year bond yield touched a 4yr high on Tuesday, the degree of uncertainty that continues to envelop Italy's budget negotiations with the EU suggests that the potential to rally will be limited. We expect the market to continue to demand a healthy yield premium for Italy risk over German bunds.

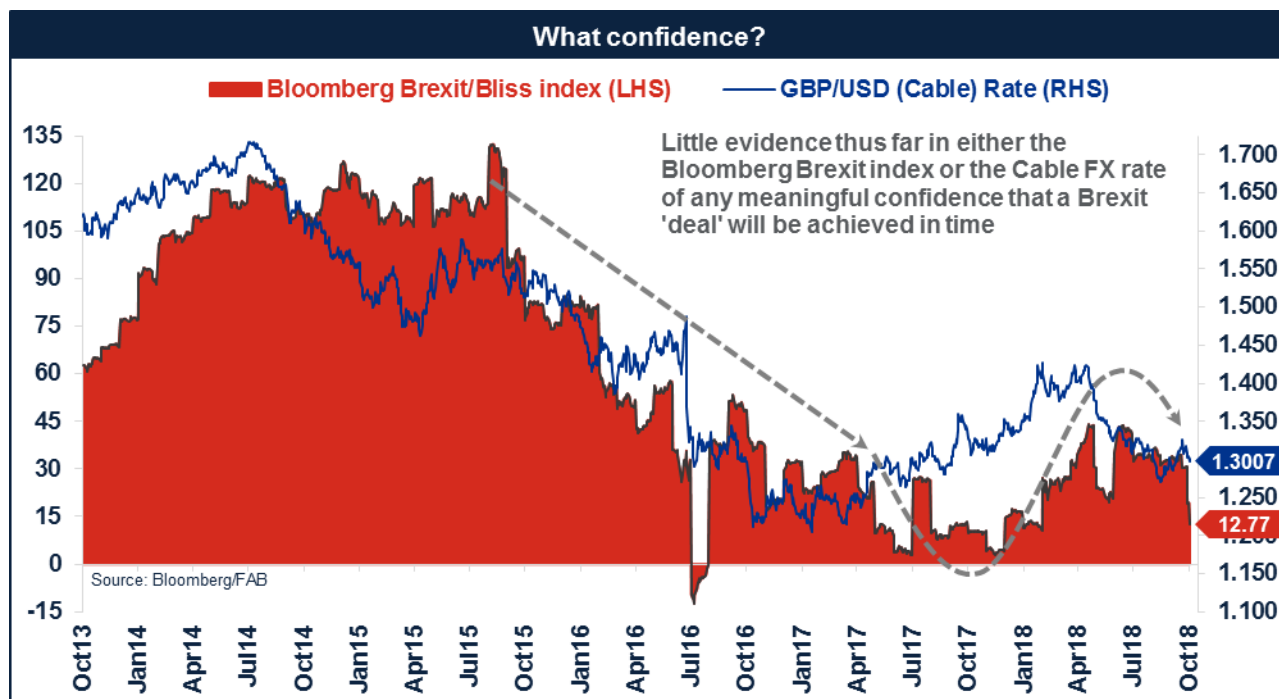


- Meanwhile, Brexit is set to stay front and center of investors' minds for most of this week as the U.K.'s ruling Conservative Party meets for its annual conference. With ex-foreign secretary and leading Brexiteer Boris Johnson having delivered his rousing pro-hard-Brexit speech yesterday, today will see Prime Minister May take to the lectern, in defense of her Brexit proposals as well as her leadership credentials.

3<sup>rd</sup> October 2018

Simon Ballard  
 Macro Strategist

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



- Such is the extent of division within the Conservative party itself though, let alone across the broader U.K. political spectrum or between the U.K. and the EU, that we see little chance of the government being able to arrive at an acceptable 'deal' ahead of the March 29 2019 divorce date. In the closing speech of the 4-day shindig, Theresa May is expected to address accusations that she lacks confidence in Britain's future and is therefore compromised in her ability to negotiate Brexit terms with Brussels. Bottom line, U.K. risk assets look set to remain under pressure into year end, with the next focal point being the October 18 EU summit. As time goes by and the prospects of arriving at a 'deal' look increasingly remote, the specter of cable falling back through the \$1.20 mark over the coming months must be rising.

### Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.95%	-1.0	-3.0	+21.3	+103.5	+74.6
10Y	3.06%	-2.0	-3.3	+20.3	+74.0	+65.9
30Y	3.22%	-1.7	-0.8	+19.8	+35.3	+47.8

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	306.9	-1.1	-3.7	+19.2	+106.4	+82.5
10Y	312.0	-1.7	-3.3	+19.2	+83.8	+72.2
30Y	312.8	-1.6	-4.0	+16.7	+57.9	+59.1

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1548	-0.26%	-1.86%	-0.61%	-1.67%	-3.81%
GBP USD	1.2979	-0.48%	-1.55%	+0.85%	-1.95%	-3.95%
USD JPY	113.65	-0.25%	+0.60%	+2.32%	+0.71%	+0.85%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.9851	+0.76%	-2.86%	-9.81%	+67.62%	+57.58%
USD INR	72.9125	+0.00%	+0.40%	+2.38%	+11.32%	+14.16%
USD IDR	15,043.0	+0.89%	+0.89%	+1.54%	+11.08%	+10.87%

Source: Bloomberg

## MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	389.8	+4.3	-1.9	-46.2	+73.2	+61.1
Sovx CEEMEA	85.8	+4.3	+0.1	-92.2	+46.8	+53.1
Itrax Xover	279.2	+5.7	+8.8	-17.8	+31.6	+46.0

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	61.3	+0.1	-2.7	-1.9	+3.2	-0.4
Kuwait 5Y	66.7	+0.3	-0.7	+3.5	-1.5	+2.8
Dubai 5Y	121.9	-1.0	-3.0	-1.3	-6.0	-0.5

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	68.9	+1.5	-10.0	-15.1	-27.4	-32.1
KSA 5Y	69.1	+1.6	-9.3	-12.7	-14.0	-22.7
Bahrain 5Y	299.8	+2.8	-40.8	-66.1	+64.6	+23.2

Source: Bloomberg

## Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	75.23	-0.09%	+4.08%	+7.78%	+49.21%	+24.51%
Brent Oil \$/bbl	84.80	-0.21%	+3.58%	+8.51%	+51.43%	+26.81%
Gold spot \$/oz	1,203.3	+1.21%	+0.17%	+0.17%	-5.37%	-7.64%
Silver spot \$/Troy oz	14.691	+1.39%	+1.57%	+1.20%	-11.69%	-13.26%
Aluminium 3MO \$	2,118.0	+1.63%	+2.27%	-0.33%	+0.81%	-6.61%
Nickel 3MO \$	12,515	+0.08%	-3.36%	-2.23%	+20.45%	-1.92%
Copper 3MO \$	6,280	+0.50%	-0.60%	+5.10%	-3.28%	-13.34%

Source: Bloomberg

## Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
<b>GLOBAL</b>						
Dow Jones Inds. Avg	26,774	+0.46%	+1.06%	+3.12%	+18.25%	+8.31%
S&P 500	2,923	-0.04%	+0.27%	+0.76%	+15.34%	+9.34%
Nasdaq Composite	8,000	-0.47%	-0.10%	-1.36%	+22.47%	+15.88%
Nikkei	24,271	+0.10%	+1.38%	+6.88%	+17.74%	+6.61%
Hang Seng	27,126	-2.38%	-1.36%	-2.12%	-3.72%	-9.33%
Shanghai	2,821	+0.52%	+1.45%	+3.53%	-15.75%	-14.69%
Mumbai Sensex	36,526	+0.83%	-0.34%	-5.48%	+16.76%	+7.25%
DAX	12,288	-0.42%	-0.70%	-0.48%	-4.77%	-4.88%
CAC 40	5,468	-0.71%	-0.20%	+1.00%	+1.87%	+2.92%
FTSE 100	7,475	-0.28%	-0.44%	-0.40%	+0.09%	-2.77%
DJ Stoxx 50	3,389	-0.74%	-0.90%	-0.18%	-6.01%	-3.28%
FTSE MIB Index	20,562	-0.23%	-5.11%	+0.82%	-9.75%	-5.91%
SMI Index	9,087	-0.44%	+0.73%	+0.93%	-2.12%	-3.14%
<b>MENA</b>						
Abu Dhabi – ADX	4,996	+0.05%	+1.34%	+1.19%	+12.50%	+13.59%
Dubai – DFM	2,839	+0.02%	+2.30%	+0.34%	-20.47%	-15.75%
Saudi Arabia	7,981	-0.71%	+0.96%	+0.49%	+10.17%	+10.45%
Qatar	9,817	+0.27%	+1.07%	+0.18%	+18.50%	+15.18%
Bahrain	1,330	-0.38%	-1.50%	-0.34%	+4.06%	-0.13%
Kuwait (Premier Market)	5,324	-0.11%	-0.24%	+1.89%	+0.65%	+7.64%
Oman	4,535	+0.00%	+0.75%	+2.43%	-13.20%	-11.06%
Egypt	14,382	-0.45%	+0.16%	-9.10%	+3.24%	-4.25%
Turkey	98,161	-0.38%	-1.14%	+4.52%	-5.53%	-14.89%

Source: Bloomberg

## Overnight market headlines

### Global News

- Fed chairman Powell defends careful approach to lifting rates
- Powell says US outlook 'remarkably positive', tariffs could lift prices but no sign yet; pledges to 'act with authority' if inflation spikes
- Trade pact clause seen deterring China trade deal with Canada, Mexico
- Euro rebounds as reports temper Italian debt fears; Asia shares mixed; Oil steadies near 4-year high as supply fears counter stockpiles

### Middle East & Africa News

- Abu Dhabi's 2017 GDP soars to \$227bn at current prices
- Bahrain economy grows 8.25% in Q2
- Saudi's SABIC issues \$2bn dual-tranche bond
- Saudi Arabia government sells \$1.27bn of domestic sukuk
- Mubadala owned Cepsa will return to Spanish market with \$9.22bn valuation
- Dubai's Emirates NBD said to weigh paying Sberbank less for Turkish lender
- Alwaleed's Kingdom Holding to sign \$1bn loan
- Most Gulf markets slip on emerging market woes
- Foreign-exchange selling frenzy grips Iran as new powers kick in for central bank

*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](mailto: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.