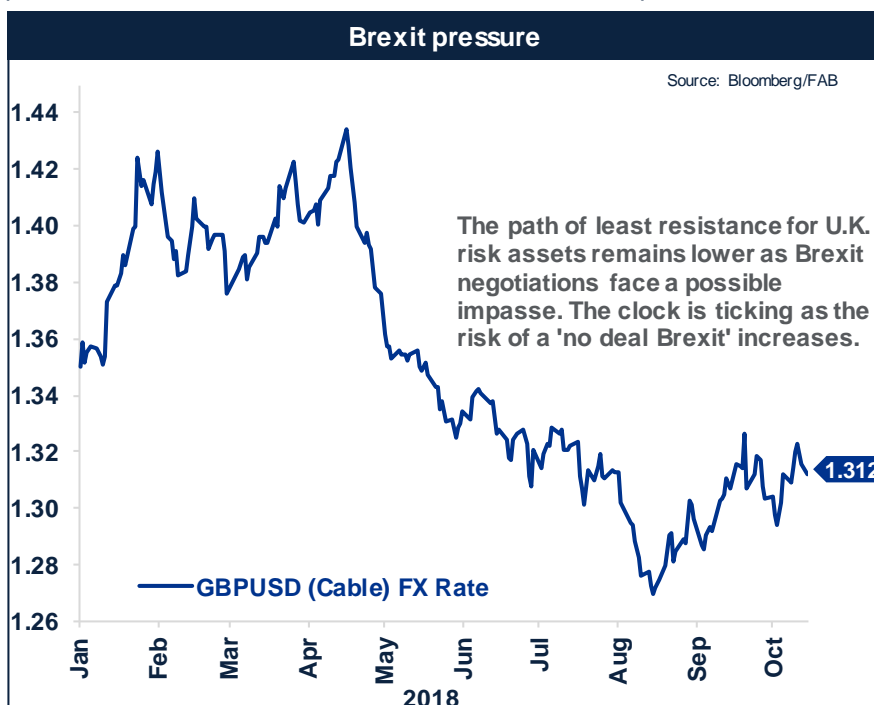


Daily Market Chatter

Macro Strategy View: The weight and wait of politics

- With the October European council summit due to start on Wednesday – by which time the EU political elite had hoped to have Brexit terms agreed – crunch time for Brexit negotiations appears to be fast approaching, but with faltering hope of a breakthrough. Moreover, the outlook for Brexit talks will not have been helped by the political turmoil currently being seen in Germany. Over the weekend Angela Merkel's Bavarian sister party, the Christian Social Union, scored an historic low in a regional election, highlighting the degree of entrenched voter dissatisfaction with the political establishment that now stretches across Europe.



- Press reports that the latest Brexit talks over the weekend between U.K. Brexit secretary Raab and the EU's chief negotiator Barnier broke down late Sunday, suggest that a solution to this polemic is still beyond reach. We maintain that Brexit will remain a near-term source of pain for U.K. risk assets, still raising more questions and uncertainties than answers.
- Time is now running out to achieve a mutually acceptable divorce agreement before the U.K. exits the EU on March 29 next year. The specter of a 'no-deal Brexit' is an increasingly clear and present danger, one that will weigh heavy on GBP assets and investor sentiment over the coming months. Given that markets had cautiously begun to price in the hope of a solution being found, such buoyancy will now likely be reversed.
- Indeed the immediate reaction to the news on Sunday evening was a 0.44% drop in cable, in thin, out-of-European-hours trading. As of 7.30am UAE time, cable was trading around \$1.3100 (-0.38% on the day).

15th October 2018

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- Brexit concerns are only compounding already broad market nervousness. Indeed, investor uncertainty will have been further fueled over the weekend by the latest IMF warnings on the fragile nature of the global economic growth outlook, advising investors to prepare for more market volatility; we concur. Moreover, we note the latest geopolitical developments and U.S. Trump administration rhetoric all of which is adding to the mix and weighing on risk appetite early Monday morning, with Asian equities trading firmly in the red, the iTraxx credit indices edging wider, the yield on the 10Y U.S. treasury dropping back to the 3.15% level on the flight to safety trade and the dollar (DXY) 0.14% stronger. We continue to advocate a clear investment focus on macro fundamentals and an idiosyncratic, up in quality bias across both DM and EM portfolios.

Major Rates & FX Pairs

| UST Yield | Prev day Close | Change (basis points) | | | | |
|-----------|----------------|-----------------------|------|-------|--------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| 5Y | 3.02% | +1.0 | -5.4 | +11.2 | +111.5 | +80.9 |
| 10Y | 3.16% | +1.2 | -7.2 | +16.5 | +88.8 | +75.7 |
| 30Y | 3.34% | +1.1 | -7.0 | +20.3 | +52.9 | +59.5 |

Source: Bloomberg

| \$ Mid Swap | Prev day Close (bps) | Change (basis points) | | | | |
|-------------|----------------------|-----------------------|------|-------|--------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| 5Y | 313.9 | +0.5 | -4.8 | +12.7 | +110.1 | +89.5 |
| 10Y | 320.6 | +0.6 | -6.7 | +15.2 | +92.9 | +80.7 |
| 30Y | 321.2 | -3.9 | -7.7 | +14.4 | +71.8 | +67.5 |

Source: Bloomberg

| | Prev day Close | % Change | | | | |
|---------|----------------|----------|--------|--------|--------|--------|
| | | 1D | 1W | 1M | 1YR | YTD |
| EUR USD | 1.1560 | -0.28% | +0.31% | -1.05% | -2.00% | -3.71% |
| GBP USD | 1.3153 | -0.58% | +0.25% | -0.03% | -0.74% | -2.66% |
| USD JPY | 112.21 | +0.04% | -1.33% | +0.32% | +0.02% | -0.43% |

Source: Bloomberg

| | Prev day Close | % Change | | | | |
|---------|----------------|----------|--------|--------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| USD TRY | 5.8732 | -0.88% | -4.24% | -6.97% | +61.07% | +54.63% |
| USD INR | 73.5713 | -0.75% | -0.68% | +1.47% | +13.68% | +15.18% |
| USD IDR | 15,197.0 | -0.25% | -0.14% | +2.13% | +12.77% | +12.11% |

Source: Bloomberg

MENA Credits

| Indices | Prev day Close (bps) | Change (basis points) | | | | |
|-------------|----------------------|-----------------------|-------|-------|-------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| JPMEMBI Sov | 400.0 | -7.2 | +4.3 | -26.2 | +82.3 | +71.3 |
| Sovx CEEMEA | 96.4 | -4.3 | -0.3 | -29.9 | +57.7 | +63.8 |
| Itrax Xover | 293.3 | -4.0 | +12.9 | +10.5 | +50.4 | +60.1 |

Source: Bloomberg

| CDS | Prev day Close (bps) | Change (basis points) | | | | |
|--------------|----------------------|-----------------------|------|------|------|------|
| | | 1D | 1W | 1M | 1YR | YTD |
| Abu Dhabi 5Y | 69.3 | +0.7 | +7.1 | +8.2 | +9.6 | +7.6 |
| Kuwait 5Y | 70.0 | +0.3 | +0.9 | +4.6 | +3.0 | +6.1 |
| Dubai 5Y | 125.2 | -0.8 | +3.2 | +9.4 | -2.6 | +2.8 |

Source: Bloomberg

| CDS | Prev day Close (bps) | Change (basis points) | | | | |
|------------|----------------------|-----------------------|-------|-------|-------|-------|
| | | 1D | 1W | 1M | 1YR | YTD |
| Qatar 5Y | 79.5 | -0.4 | +8.1 | +0.1 | -19.8 | -21.5 |
| KSA 5Y | 90.5 | +4.7 | +18.9 | +11.9 | +8.2 | -1.3 |
| Bahrain 5Y | 289.3 | -8.9 | +4.6 | -70.5 | +52.3 | +12.8 |

Source: Bloomberg

Major Commodities Prices

| Commodities | Prev day Close | Change | | | | |
|------------------------|----------------|--------|--------|--------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| WTI Oil \$/bbl | 71.34 | +0.52% | -4.04% | +3.41% | +38.66% | +18.07% |
| Brent Oil \$/bbl | 80.43 | +0.21% | -4.43% | +3.00% | +40.69% | +20.28% |
| Gold spot \$/oz | 1,217.1 | -0.58% | +1.11% | +1.30% | -6.08% | -6.58% |
| Silver spot \$/Troy oz | 14.579 | -0.03% | -0.37% | +2.79% | -15.38% | -13.92% |
| Aluminium 3MO \$ | 2,041.0 | +1.04% | -4.18% | -1.11% | -4.91% | -10.01% |
| Nickel 3MO \$ | 12,655 | -0.16% | +0.28% | +0.28% | +11.06% | -0.82% |
| Copper 3MO \$ | 6,302 | +0.96% | +2.09% | +5.09% | -8.49% | -13.04% |

Source: Bloomberg

Major Equities Markets

| Major Stock Markets | Prev day Close | Change | | | | |
|-------------------------|----------------|--------|--------|---------|---------|---------|
| | | 1D | 1W | 1M | 1YR | YTD |
| GLOBAL | | | | | | |
| Dow Jones Inds. Avg | 25,340 | +1.15% | -4.19% | -3.11% | +10.79% | +2.51% |
| S&P 500 | 2,767 | +1.42% | -4.10% | -4.75% | +8.38% | +3.50% |
| Nasdaq Composite | 7,497 | +2.29% | -3.74% | -6.41% | +13.49% | +8.60% |
| Nikkei | 22,695 | +0.46% | -4.58% | -1.73% | +7.28% | -0.31% |
| Hang Seng | 25,801 | +2.12% | -2.90% | -5.44% | -9.39% | -13.76% |
| Shanghai | 2,607 | +0.91% | -4.03% | -2.79% | -23.11% | -21.17% |
| Mumbai Sensex | 34,734 | +2.15% | +1.04% | -8.81% | +7.09% | +1.99% |
| DAX | 11,524 | -0.13% | -4.86% | -4.95% | -11.30% | -10.79% |
| CAC 40 | 5,096 | -0.20% | -4.91% | -4.79% | -4.78% | -4.08% |
| FTSE 100 | 6,996 | -0.16% | -4.41% | -4.22% | -7.16% | -9.00% |
| DJ Stoxx 50 | 3,194 | -0.46% | -4.52% | -4.49% | -11.38% | -8.83% |
| FTSE MIB Index | 19,256 | -0.52% | -5.36% | -7.80% | -14.09% | -11.89% |
| SMI Index | 8,660 | +0.25% | -4.22% | -3.45% | -6.99% | -7.69% |
| MENA | | | | | | |
| Abu Dhabi – ADX | 4,922 | -0.19% | -1.63% | -0.26% | +8.93% | +11.90% |
| Dubai – DFM | 2,720 | +0.24% | -1.96% | -3.19% | -25.62% | -19.28% |
| Saudi Arabia | 7,267 | -3.51% | -7.94% | -4.27% | +4.74% | +0.56% |
| Qatar | 9,824 | -0.38% | -0.23% | -1.97% | +17.78% | +15.26% |
| Bahrain | 1,316 | -0.02% | -0.72% | -2.18% | +3.25% | -1.20% |
| Kuwait (Premier Market) | 5,194 | +0.67% | -2.17% | -2.90% | +0.17% | +5.01% |
| Oman | 4,481 | -0.37% | -0.54% | -1.70% | -12.81% | -12.13% |
| Egypt | 13,537 | +1.91% | -4.02% | -11.57% | -2.65% | -9.87% |
| Turkey | 96,657 | +2.02% | +1.87% | +2.00% | -9.01% | -16.19% |

Source: Bloomberg

Overnight market headlines

Global News

- ECB should keep policy options open regardless of Fed, says Villeroy; BOJ's Kuroda says Fed rate hikes good for global economy
- Fed's Evans says it's time to 'readjust the policy stance' and keep raising rates
- US import prices increase 0.5% in Sept. as fuel costs rise; October consumer sentiment falls slightly
- Brexit talks reach stand-off as May brands draft deal a 'non-starter'
- China preparing for all risks in currency policy, PBOC's Yi says
- US draws China FX into trade dispute as IMF calls for resolution
- Stock slump resumes in Asia; pound drops, oil up

Middle East & Africa News

- UAE issues Public Debt Law to allow federal bond issuance
- Saudi stocks fall 3.5%; other regional markets also close lower
- Egypt looks to tap Asian debt markets
- Trump expects improved Turkey relations after pastor's release

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