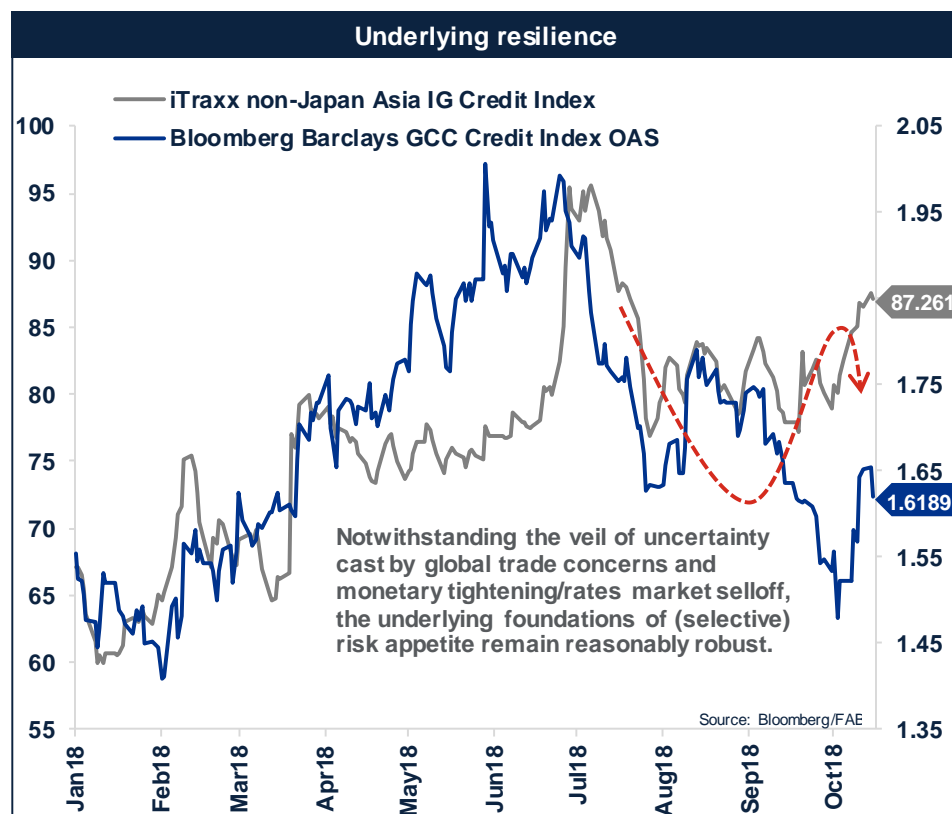


Daily Market Chatter

Macro Strategy View: Banks set optimistic tone for Q3 earnings season

- Expect to see a firm open to MENA/GCC risk assets Wednesday, with Asian equities leading the positive tone in early trade. The Nikkei is currently trading around 1.36% higher and the Asia iTraxx credit indexes are tighter for choice.
- In terms of broad market sentiment, global trade tensions and the prospect of continued monetary tightening and a consequent higher yield complex continue to cast a veil of uncertainty, but the early stages of the Q3 corporate earnings season are giving us some reasons to be cheerful. In terms of market outlook though, it is earnings guidance for 2019 and beyond that will be key to assessing the longer term economic impact of trade tensions and higher yields.



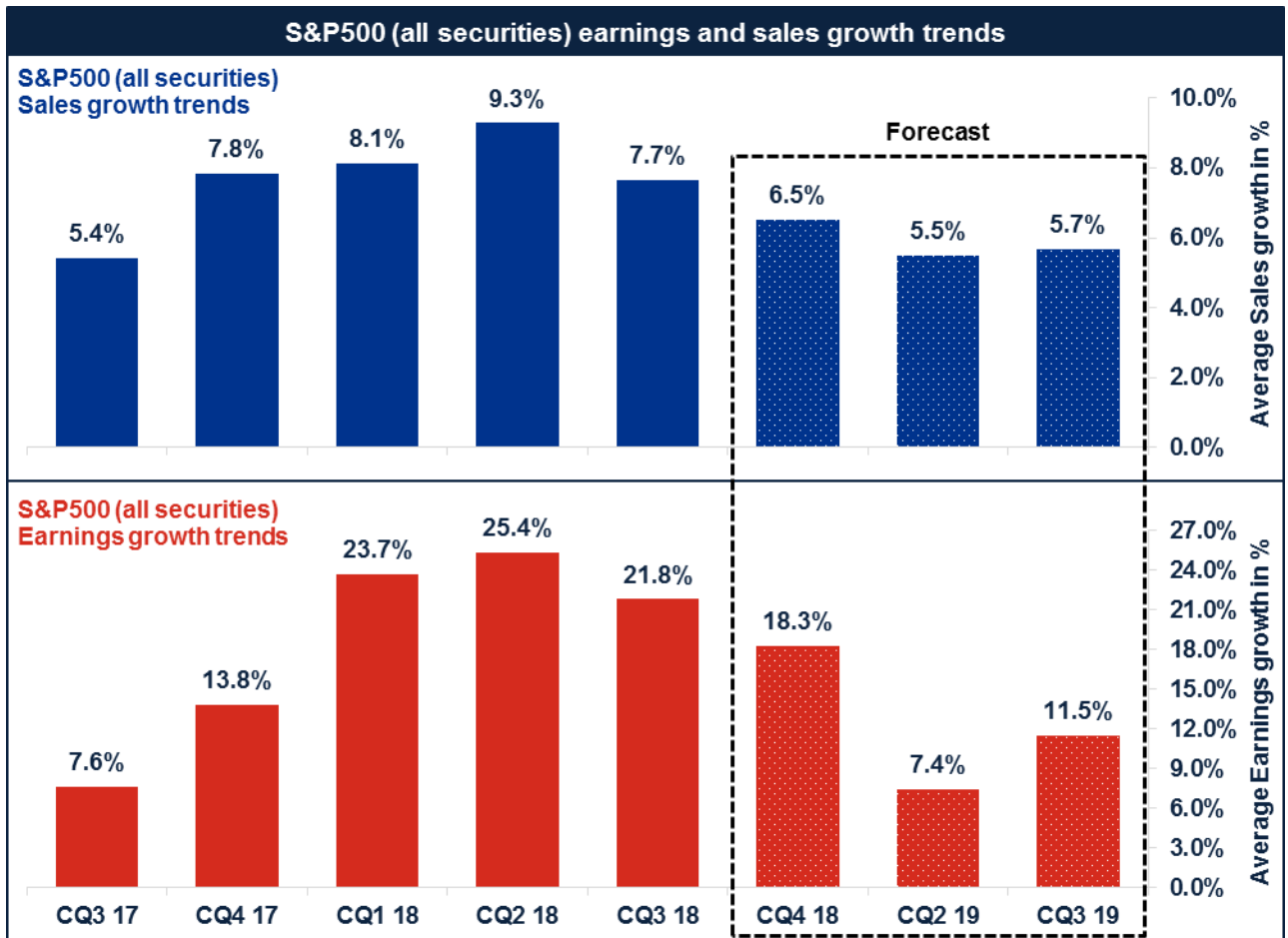
- In the current earnings season, bank earnings have been under the spotlight in recent days, the sector being a key beneficiary of Fed rate hikes and the subsequent rates market selloff and structural shift higher in yields. Indeed, Bank of America highlighted this on Tuesday when it reported its highest net interest income in 7 years.
- Overnight Morgan Stanley and Goldman Sachs have rounded out the reporting season for major U.S. banks, with similarly solid, better than expected numbers. Among the numbers, equity trading revenues were buoyed in Q3 by the recent pickup in volatility, while fixed-income revenue came under some pressure from the rates market selloff. Interestingly, despite the rising yield environment, U.S. bank earnings have also showcased a lower cost of bad loans, which we would see as a clear reflection of underlying economic strength, which may serve to embolden hawkish Fed rhetoric over the coming months.

17th October 2018

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- However, while the major U.S. banks may now have reported, there is still a long way to go until we get to critical mass for the season. As such market sentiment will remain sensitive and susceptible to earnings headline risk over the coming weeks, albeit that the picture being painted in these opening stages is largely positive from a risk perspective.



- According to Bloomberg, 48 members of the S&P 500 index have now reported Q3 earnings. Moreover, the data shows still very solid sales and earnings growth of +7.65% and +21.79% respectively, albeit with the latter down from the +25.35% registered in Q2. Moreover, the Q3 results are mostly running ahead of expectations, despite Fed rate hikes, with a sales 'surprise' of +0.48% and an earnings 'surprise' of +4.42%.

Continued...

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	3.02%	+1.4	-3.3	+13.6	+106.6	+81.8
10Y	3.16%	+0.8	-4.3	+17.7	+86.4	+75.9
30Y	3.33%	-0.3	-3.5	+20.5	+53.2	+59.4

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	315.7	+1.4	-2.5	+14.5	+112.1	+91.3
10Y	322.5	+1.8	-3.0	+17.2	+94.3	+82.7
30Y	324.9	+1.4	-2.7	+18.2	+73.6	+71.2

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1574	-0.04%	+0.72%	-0.93%	-1.63%	-3.59%
GBP USD	1.3181	+0.22%	+0.29%	+0.18%	-0.07%	-2.46%
USD JPY	112.25	+0.43%	-0.63%	+0.36%	+0.04%	-0.39%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.6857	-1.76%	-6.80%	-9.94%	+55.09%	+49.69%
USD INR	73.4738	-0.47%	-1.00%	+1.34%	+12.99%	+15.03%
USD IDR	15,201.0	-0.12%	+0.01%	+2.16%	+12.54%	+12.14%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	396.2	+0.4	-1.2	-10.3	+77.7	+67.5
Sovx CEEMEA	93.2	-0.5	-6.6	-32.5	+54.2	+60.6
Itrax Xover	289.0	-5.1	+2.2	+9.2	+47.5	+55.8

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.6	-0.3	+0.5	+5.0	+7.4	+6.0
Kuwait 5Y	69.3	-0.5	-0.6	+3.3	+3.9	+5.3
Dubai 5Y	127.4	-0.9	+2.6	+9.7	+2.0	+4.9

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	75.4	-2.0	-0.5	-2.5	-25.1	-25.5
KSA 5Y	86.5	-3.2	+7.6	+9.3	+2.8	-5.2
Bahrain 5Y	294.8	+1.8	+16.1	-55.2	+57.0	+18.3

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	71.92	+0.20%	-4.06%	+4.37%	+38.63%	+19.03%
Brent Oil \$/bbl	81.41	+0.78%	-4.22%	+4.30%	+40.65%	+21.74%
Gold spot \$/oz	1,225.0	-0.17%	+2.96%	+1.96%	-4.68%	-5.98%
Silver spot \$/Troy oz	14.664	-0.21%	+1.94%	+3.39%	-13.93%	-13.43%
Aluminium 3MO \$	2,034.0	+0.35%	-1.07%	-0.44%	-4.78%	-10.32%
Nickel 3MO \$	12,595	-0.16%	-3.19%	-0.47%	+6.15%	-1.29%
Copper 3MO \$	6,215	-1.36%	-1.22%	+4.05%	-12.89%	-14.24%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,798	+2.17%	-2.39%	-1.01%	+12.18%	+4.37%
S&P 500	2,810	+2.15%	-2.44%	-2.73%	+9.79%	+5.10%
Nasdaq Composite	7,645	+2.89%	-1.20%	-3.17%	+15.43%	+10.75%
Nikkei	22,549	+1.25%	-3.92%	-2.36%	+5.69%	-0.95%
Hang Seng	25,462	-1.31%	-2.72%	-5.46%	-11.27%	-14.90%
Shanghai	2,546	-0.85%	-6.42%	-3.98%	-24.49%	-23.01%
Mumbai Sensex	35,162	+0.85%	+2.52%	-6.45%	+7.83%	+3.25%
DAX	11,777	+1.40%	-1.68%	-2.64%	-9.38%	-8.83%
CAC 40	5,173	+1.53%	-2.74%	-3.29%	-3.51%	-2.63%
FTSE 100	7,059	+0.43%	-2.46%	-3.32%	-6.08%	-8.17%
DJ Stoxx 50	3,257	+1.46%	-1.94%	-2.65%	-9.71%	-7.04%
FTSE MIB Index	19,718	+2.23%	-1.72%	-6.60%	-11.73%	-9.77%
SMI Index	8,795	+1.64%	-1.89%	-1.59%	-5.12%	-6.26%
MENA						
Abu Dhabi – ADX	4,931	-0.04%	-1.79%	+0.98%	+9.85%	+12.11%
Dubai – DFM	2,728	+0.55%	-1.80%	-0.88%	-25.13%	-19.06%
Saudi Arabia	7,667	+1.31%	-3.01%	+0.75%	+9.65%	+6.10%
Qatar	10,032	+2.01%	+1.95%	+2.02%	+21.90%	+17.69%
Bahrain	1,312	-0.32%	-0.95%	-2.04%	+2.25%	-1.51%
Kuwait (Premier Market)	5,172	-0.65%	-2.50%	-3.26%	-0.86%	+4.56%
Oman	4,452	-0.20%	-1.46%	-1.42%	-12.52%	-12.70%
Egypt	13,689	+1.24%	+0.74%	-6.56%	+1.21%	-8.85%
Turkey	98,466	-0.17%	+1.79%	+4.37%	-7.97%	-14.62%

Source: Bloomberg

Overnight market headlines

Global News

- Trump US industrial output rises; job openings at record high
- Trump widens Fed critique, calls it 'my biggest threat'
- Barnier open to extending Brexit transition by another year
- Trade dispute, Brexit angst weigh on German investor morale
- Asia stocks follow US rally; Treasuries steady; Oil rises as industry data shows unexpected drop in inventories

Middle East & Africa News

- DP World amends terms of \$2bn "green" loan
- Emaar Development to discuss \$283.1m special dividend Wednesday
- Clariant shareholders elect all four SABIC representatives to its board
- Egypt says foreign reserves sufficient to cover imports for 9 months; agrees \$3bn financing deal with World Bank
- Saudi stock market rebounds on Tuesday; Dubai rises on property stocks
- Nigerian inflation quickens to 11.3%

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