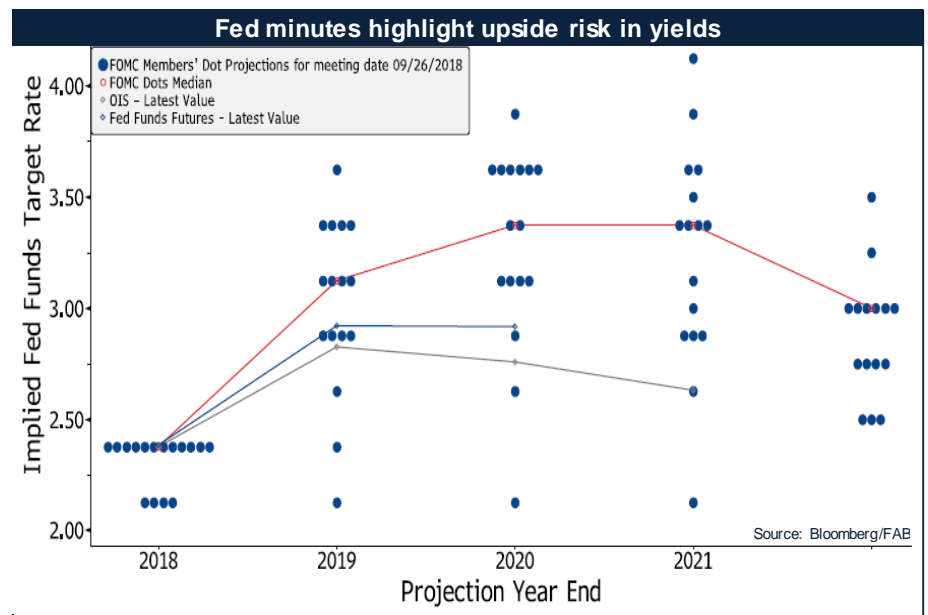


Daily Market Chatter

Macro Strategy View: Reading the FOMC tealeaves

- A return to a risk-off mode in markets this morning highlights once again the fragility of investor confidence. Indeed the investor community continues to face myriad conflicting elements, which we believe calls for a continued net defensive approach to risk and a clear bias toward robust fundamentals and liquidity. Asian equities trading in the red and the iTraxx Asia credit indexes pushing wider are leading U.S. and European stock futures lower also. Expect MENA/GCC markets to trade with a similarly cautious bias as we head into the Middle Eastern weekend.
- Notwithstanding the positive momentum that had been created earlier in the week by the run of constructive Q3 corporate earnings releases, the overhang of global trade tensions and escalating geopolitical uncertainties, remain clear and present dangers for risk asset performance. Moreover, analysis of the latest FOMC minutes, released overnight, may also be feeding a degree of investor caution this morning.



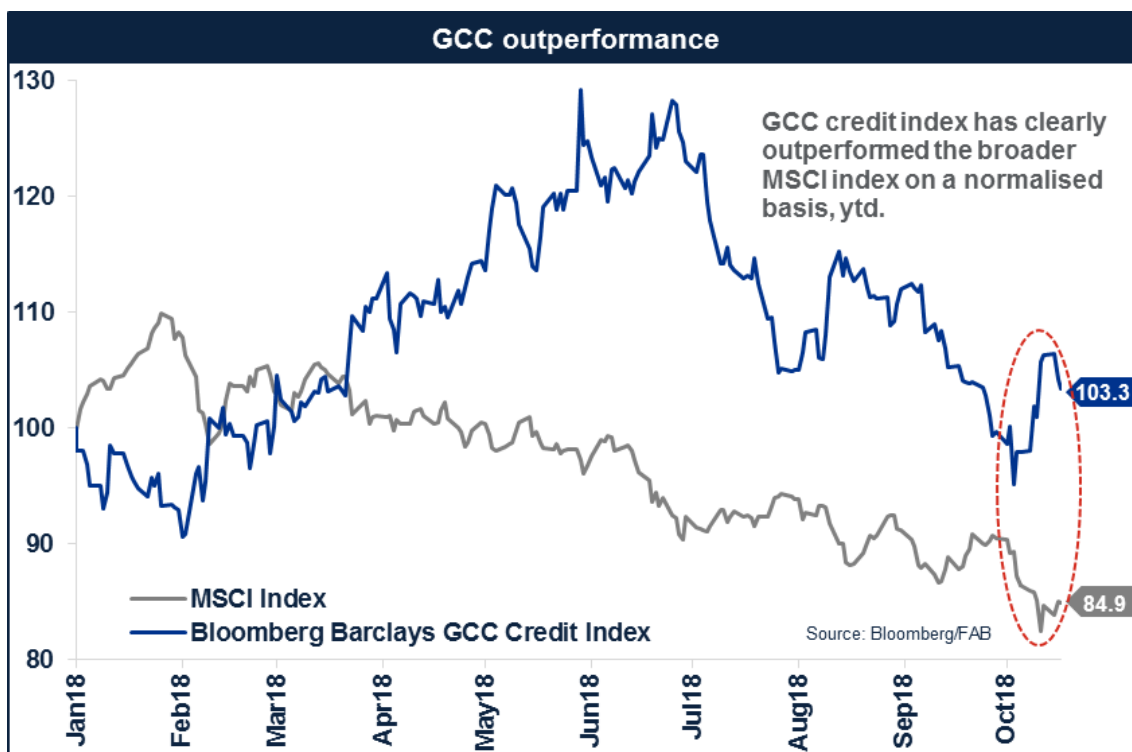
- While the minutes reiterated the current strength of the U.S. economy and the expectations for continued robust growth over the coming months, we also read between the lines a more hawkish bias among some members. The minutes stated that some FOMC members felt that monetary policy would 'need to become modestly restrictive for a time' and that the Fed Funds rate might need to be raised 'above their assessments of its longer-run level' in order to avoid an overheating of the economy and an overshoot of the committee's 2% inflation objective.

18th October 2018

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- We do expect the FOMC to retain its strict data-dependent approach setting rates, but if the above hawkish tilt should gain more traction across the FOMC in the coming months, this could clearly bolster our concern that the market is not currently pricing in the extent to which yields – and debt service/funding costs – could rise over the next few quarters. This could tend to reignite market volatility and dampen risk appetite, particularly in the lower echelons of the (EM/DM) credit spectrum.



- This said, GCC credit markets continue to trade reasonably well for now, underpinned by what we maintain is a firm macro-fundamental profile and as such remains our sector of choice within the EM/MENA/GCC space. The Bloomberg Barclays GCC credit index at 160bps OAS may be c.12bps wider from where it traded at the beginning of this month and may be c.20bps wider on a year-to-date basis, but the index has neatly outperformed (on a normalized basis) the broader MSCI index, which has been in consistent decline throughout much of the past 10 months.

Continued...

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	3.06%	+3.4	+5.5	+11.5	+106.5	+85.2
10Y	3.21%	+4.2	+4.2	+15.0	+85.9	+80.1
30Y	3.37%	+3.8	+2.5	+17.1	+51.6	+63.3

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	319.1	+3.4	+6.2	+13.1	+111.5	+94.7
10Y	326.7	+4.2	+5.8	+15.2	+94.3	+86.9
30Y	326.2	+1.3	-2.8	+15.0	+71.8	+72.5

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1501	-0.63%	-0.16%	-1.42%	-2.43%	-4.20%
GBP USD	1.3115	-0.50%	-0.61%	-0.25%	-0.68%	-2.95%
USD JPY	112.65	+0.36%	+0.34%	+0.26%	-0.26%	-0.04%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.5856	-1.76%	-8.07%	-12.51%	+51.92%	+47.06%
USD INR	73.6062	-0.29%	-0.82%	+1.52%	+13.20%	+15.24%
USD IDR	15,150.0	-0.34%	-0.56%	+1.99%	+12.11%	+11.77%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	394.5	-1.7	-5.2	-15.3	+76.3	+65.9
Sovx CEEMEA	90.5	-2.7	-8.5	-21.1	+52.3	+57.9
Itrax Xover	290.2	+1.2	+0.1	+12.7	+46.9	+57.0

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	66.5	-1.1	-0.2	+7.5	+6.5	+4.9
Kuwait 5Y	69.5	+0.2	-0.2	+4.1	+4.1	+5.5
Dubai 5Y	127.1	-0.3	+2.7	+10.8	+4.1	+4.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	75.0	-0.4	+0.0	+0.3	-27.0	-25.9
KSA 5Y	87.8	+1.3	+9.7	+14.0	+4.6	-3.9
Bahrain 5Y	293.0	-1.8	+1.6	-56.4	+54.4	+16.4

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	69.75	-3.02%	-4.67%	-0.14%	+34.03%	+15.44%
Brent Oil \$/bbl	80.05	-1.67%	-3.66%	+1.29%	+37.66%	+19.71%
Gold spot \$/oz	1,222.3	-0.22%	+2.30%	+2.00%	-4.59%	-6.18%
Silver spot \$/Troy oz	14.610	-0.36%	+2.17%	+3.23%	-14.05%	-13.74%
Aluminium 3MO \$	2,022.0	-0.59%	-1.22%	-0.49%	-5.51%	-10.85%
Nickel 3MO \$	12,375	-1.75%	-2.41%	+1.10%	+5.18%	-3.02%
Copper 3MO \$	6,219	+0.06%	-0.32%	+4.61%	-11.50%	-14.19%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,707	-0.36%	+0.42%	-2.06%	+11.01%	+3.99%
S&P 500	2,809	-0.03%	+0.84%	-3.27%	+9.68%	+5.07%
Nasdaq Composite	7,643	-0.04%	+2.97%	-3.94%	+15.38%	+10.71%
Nikkei	22,841	+1.29%	-2.83%	-2.47%	+6.92%	+0.33%
Hang Seng	25,462	+0.07%	-2.79%	-5.46%	-11.27%	-14.90%
Shanghai	2,562	+0.60%	-6.02%	-5.12%	-24.25%	-22.54%
Mumbai Sensex	34,780	-0.25%	+0.05%	-6.73%	+6.74%	+2.12%
DAX	11,715	-0.52%	+0.02%	-3.64%	-10.18%	-9.31%
CAC 40	5,145	-0.54%	-1.18%	-4.08%	-4.44%	-3.15%
FTSE 100	7,055	-0.07%	-1.28%	-3.36%	-6.47%	-8.24%
DJ Stoxx 50	3,243	-0.44%	-0.73%	-3.44%	-10.40%	-7.45%
FTSE MIB Index	19,455	-1.33%	-1.34%	-8.35%	-12.97%	-10.97%
SMI Index	8,750	-0.51%	-1.60%	-1.86%	-6.01%	-6.73%
MENA						
Abu Dhabi – ADX	4,957	+0.53%	-0.22%	+1.65%	+10.10%	+12.70%
Dubai – DFM	2,742	+0.50%	-0.50%	-0.05%	-24.80%	-18.65%
Saudi Arabia	7,658	-0.12%	-2.26%	+0.19%	+10.32%	+5.97%
Qatar	10,157	+1.25%	+1.94%	+3.40%	+24.72%	+19.17%
Bahrain	1,313	+0.12%	-0.21%	-2.00%	+2.72%	-1.39%
Kuwait (Premier Market)	5,181	+0.17%	-1.46%	-2.97%	-0.66%	+4.74%
Oman	4,453	+0.03%	-0.82%	-0.95%	-12.52%	-12.68%
Egypt	13,816	+0.92%	+1.43%	-5.72%	+1.66%	-8.01%
Turkey	98,991	+0.53%	+4.82%	+4.33%	-7.42%	-14.17%

Source: Bloomberg

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