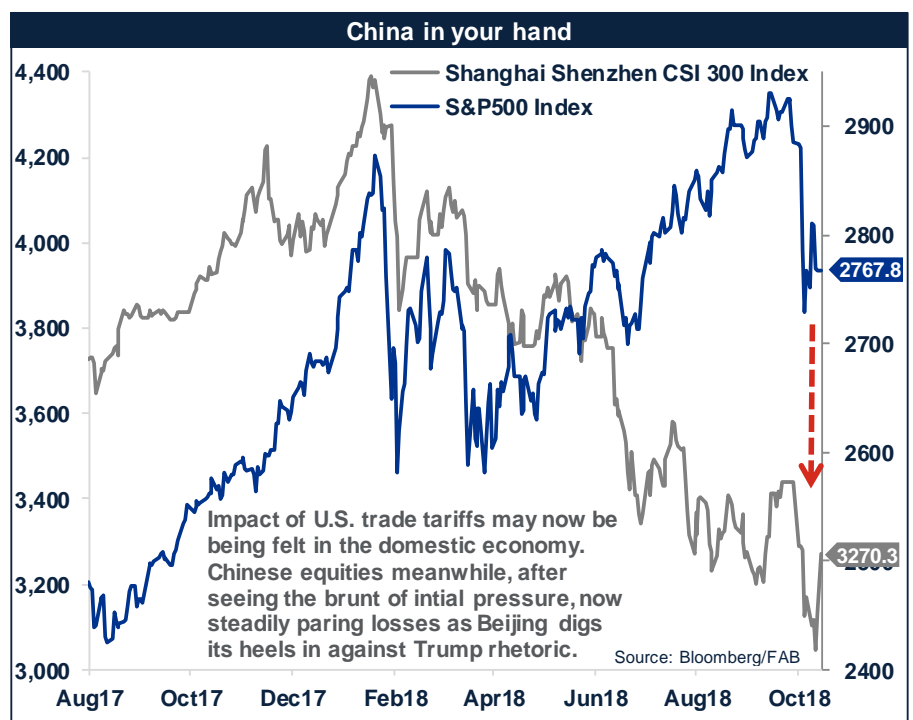


Daily Market Chatter

Macro Strategy View: Playing politics

- Global markets are trading mixed Monday morning, with sentiment still weighed down by intensifying U.S./China trade tensions, but with Chinese equities rallying strongly on the back of new stimulus initiatives from Beijing. Note that the so-called 'National Team' comprising the heads of China's central bank, banking and insurance regulator, and securities regulator announced on Friday plans for new stimulus measures designed to underpin the market and to help ease financial pressures on corporate balance sheets.
- As of 8am UAE time, Asian equity indices are being led higher by the CSI 300 (+4.40%), albeit with Japan lagging (Nikkei 225, +0.46%) on the back of lingering global macro and geopolitical uncertainties. This differentiation is also evident in the iTraxx credit indices this morning, albeit with no evidence of any investor capitulation, where the ex-Japan and Australian indexes are both tighter on the day (-0.29bp and -0.32bp respectively), while the iTraxx Japan index is wider by 0.14bps.



- Meanwhile, focus for European markets this week will likely fall on the ECB rate decision and press conference on Thursday, although with no change in rates expected it will again be president Draghi's comments that the market trades off. Continued fallout from Italy's parlous fiscal position and outlook will also be in the spotlight. We had seen some contagion from Italy spreading into other peripheral areas, but overall the see it as a fairly contained situation. Indeed, while the 10y Germany/Italy yield spread has spiked to over 300bps from 122bps six months ago, the spread between 10y Italy and 10y Spain has widened 125bps (50bp to 175bps) over the same period.

22nd October 2018

Simon Ballard
 Macro Strategist

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



- Moreover, pressure could escalate further on Italy risk this week – pushing spreads to new wides – as S&P is expected to publish results of its rating review on Italy ('BBB') this coming Friday (October 26). Any negative rating action would come hot on the heels of Moody's cut of Italy's sovereign rating to 'Baa3' (from 'Baa2') last week, leaving it staring into the abyss of sub-investment grade territory. Fitch also downgraded its outlook on its 'BBB' Italy rating to negative from stable on August 31.

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	3.05%	+1.9	+3.1	+9.8	+102.6	+84.1
10Y	3.19%	+1.3	+3.1	+12.9	+80.8	+78.8
30Y	3.38%	+1.2	+4.2	+17.7	+47.9	+63.7

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	319.2	+1.2	+5.3	+10.4	+111.9	+94.8
10Y	326.2	+1.1	+5.6	+11.7	+92.0	+86.4
30Y	329.2	+1.3	+8.1	+14.7	+70.5	+75.5

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1514	+0.53%	-0.40%	-1.99%	-2.00%	-4.09%
GBP USD	1.3076	+0.45%	-0.59%	-0.34%	-0.92%	-3.23%
USD JPY	112.55	+0.30%	+0.30%	-0.22%	-0.78%	-0.12%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.6409	+0.07%	-3.96%	-8.32%	+51.77%	+48.52%
USD INR	73.3250	-0.38%	-0.68%	+0.95%	+12.78%	+14.80%
USD IDR	15,187.0	-0.05%	-0.22%	+2.16%	+12.14%	+12.04%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	401.1	+1.2	+1.1	-0.3	+85.0	+72.4
Sovx CEEMEA	93.7	+0.9	-2.8	+0.1	+53.0	+61.0
Itrax Xover	294.7	-4.1	+1.4	+29.8	+55.6	+61.5

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	69.2	+0.8	-0.0	+5.2	+9.1	+7.6
Kuwait 5Y	67.8	-2.1	-2.2	+1.8	+5.8	+3.9
Dubai 5Y	128.7	+0.7	+3.5	+3.8	+1.5	+6.3

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	76.8	-0.1	-2.6	-2.1	-24.8	-24.1
KSA 5Y	100.8	+2.4	+10.4	+22.9	+17.4	+9.1
Bahrain 5Y	286.2	-8.0	-3.1	-53.9	+48.5	+9.6

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	69.12	+0.68%	-3.11%	-2.35%	+34.29%	+14.40%
Brent Oil \$/bbl	79.78	+0.62%	-0.81%	+1.24%	+38.15%	+19.31%
Gold spot \$/oz	1,226.5	+0.06%	+0.78%	+2.29%	-4.35%	-5.86%
Silver spot \$/Troy oz	14.619	+0.30%	+0.27%	+2.55%	-14.43%	-13.69%
Aluminium 3MO \$	2,003.0	-0.50%	-1.86%	-1.14%	-6.97%	-11.68%
Nickel 3MO \$	12,450	+0.81%	-1.62%	-0.48%	+6.05%	-2.43%
Copper 3MO \$	6,220	+1.02%	-1.30%	+1.62%	-10.72%	-14.17%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	25,444	+0.26%	+0.41%	-4.86%	+9.07%	+2.93%
S&P 500	2,768	-0.04%	+0.02%	-5.53%	+7.48%	+3.52%
Nasdaq Composite	7,449	-0.48%	-0.64%	-6.74%	+12.37%	+7.90%
Nikkei	22,532	-0.56%	-0.72%	-5.60%	+5.01%	-1.02%
Hang Seng	25,561	+0.42%	-0.93%	-8.56%	-10.27%	-14.57%
Shanghai	2,550	+2.58%	-2.17%	-8.83%	-24.51%	-22.88%
Mumbai Sensex	34,316	-1.33%	-1.20%	-6.86%	+5.95%	+0.76%
DAX	11,554	-0.31%	+0.26%	-7.06%	-11.06%	-10.56%
CAC 40	5,085	-0.63%	-0.22%	-7.45%	-5.36%	-4.29%
FTSE 100	7,050	+0.32%	+0.77%	-5.88%	-6.29%	-8.30%
DJ Stoxx 50	3,211	-0.02%	+0.51%	-6.41%	-10.94%	-8.37%
FTSE MIB Index	19,080	-0.04%	-0.91%	-11.41%	-14.62%	-12.69%
SMI Index	8,872	+1.06%	+2.44%	-1.37%	-3.95%	-5.43%
MENA						
Abu Dhabi – ADX	4,951	+0.17%	+0.37%	+1.39%	+10.07%	+12.57%
Dubai – DFM	2,743	+0.28%	+1.11%	-0.76%	-24.71%	-18.60%
Saudi Arabia	7,660	+0.16%	+5.42%	-1.39%	+9.82%	+6.00%
Qatar	10,166	+0.12%	+3.38%	+4.09%	+24.61%	+19.27%
Bahrain	1,322	+0.02%	+0.48%	-1.33%	+2.99%	-0.71%
Kuwait (Premier Market)	5,178	+0.18%	-0.53%	-3.45%	-0.31%	+4.69%
Oman	4,457	+0.08%	-0.09%	-0.86%	-11.68%	-12.60%
Egypt	13,525	+0.88%	-0.09%	-3.97%	-1.32%	-9.95%
Turkey	96,455	-1.03%	-2.21%	-1.57%	-11.09%	-16.37%

Source: Bloomberg

Overnight market headlines

Global News

- Fed's Bostic sees 'positive' US growth with gradual rate hikes; Kaplan sees two-three more rate hikes to hit 'neutral' level
- With divorce deal almost done, May repeats rejection of EU proposal on Northern Ireland
- Kudlow accuses China of refusing to engage on trade
- China says must balance stable growth and risk prevention
- Asia shares pare losses as China rallies on stimulus hope; Dollar steady while yield on short-term Treasury bills tops US inflation; WTI crude oil holds near \$69

Middle East & Africa News

- UAE's foreign currency assets in September hit \$89.6bn
- UAE federal government revenues exceed \$10bn in first half of 2018
- Abu Dhabi Commercial Bank Q3 profit up 5.5%
- Mashreq Bank reports 4.6% increase in Q3 profit
- Bank of Sharjah posts 13% jump in 9-months earnings
- Sharjah Islamic Bank's 9 months net profits rise by 10.5%
- Oman's oil output rises to 990,200 bpd in September
- Saudi Arabia to set up special economic zone at Riyadh airport
- Saudi stocks close up after early sell-off on Sunday
- Egypt considers selling first yen, yuan bonds in early 2019
- Tunisia said to sell Eurobonds worth \$1bn this week

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

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.