

## Daily Market Chatter

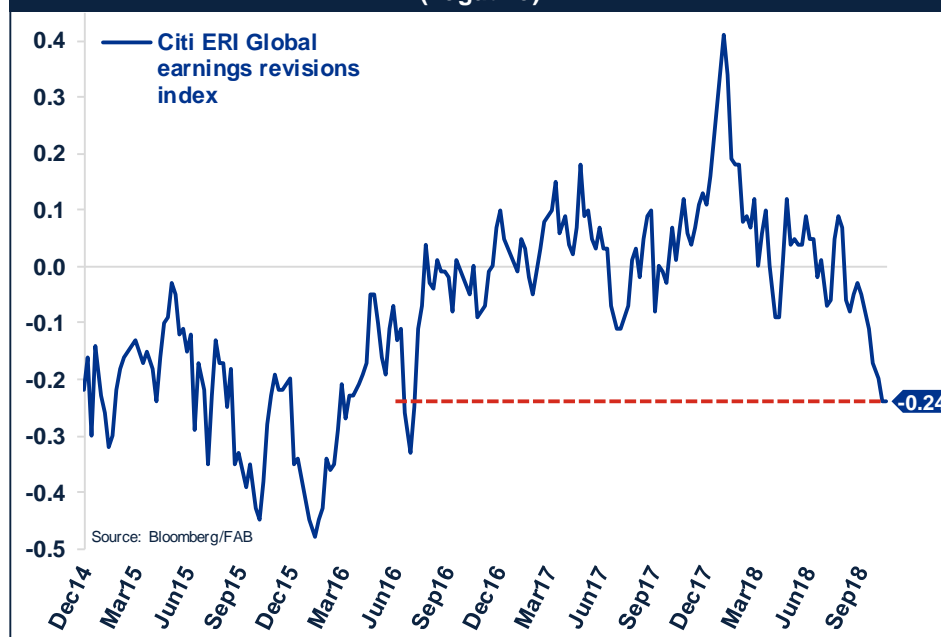
### Macro Strategy View: Risk off returns

- Risk off sentiment is embracing global markets this morning, fueled once again it seems by global macro and geopolitical uncertainties. Asian equity and credit indices are leading MENA and western markets into the red and the U.S. dollar has taken another leg higher with DXY piercing the 96.00 level. The yen has also ticked higher with the flight to quality.
- Meanwhile, the defensive bias is also driving a better bid for treasuries, with the yield on the U.S. 10y dipping to 3.177%; it traded as high as 3.2146% last week according to Bloomberg. This said, any (meaningful) price/spread weakness in GCC markets, as a result of contagion from the risk off move, would present an opportunity to selectively add fundamentally-sound MENA/GCC risk, in our view, particularly toward the front end of the maturity curve.

### Earnings

- With 91 of the S&P500 companies having reported Q3 earnings, the current growth and surprise numbers – across earnings and sales – are looking reasonably buoyant according to Bloomberg data. Sales and earnings growth are running at +7.39% and +20.86% respectively, for relative 'surprises' of +0.43% and +4.33%. This said, concerns are mounting that the drain on global growth from trade tariffs will soon begin to weigh on corporate balance sheets and these doubts may also be feeding into this morning's weaker sentiment. As a result we note that equity analyst (future) earnings estimates are being scaled back; a Citigroup earnings revision index now sits at its lowest level in more than two years.

Global equity analyst revisions upgrades (positive) vs. downgrades (negative)



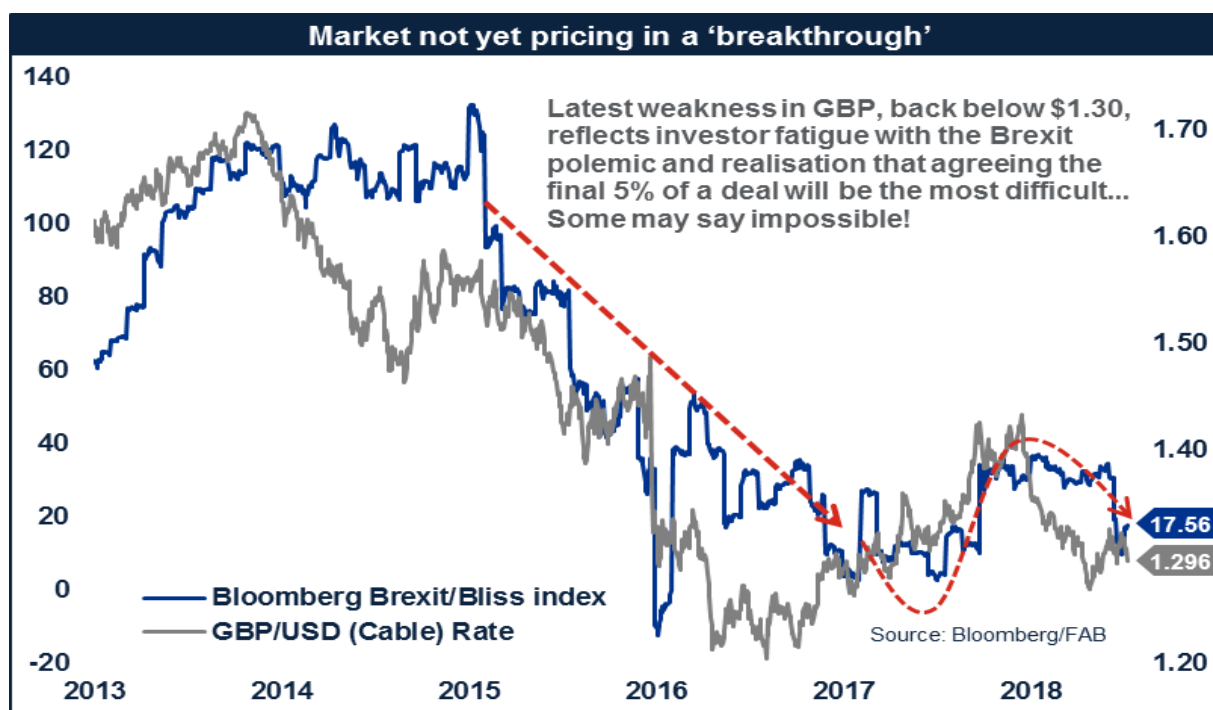
23<sup>rd</sup> October 2018

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## Brexit

- Weakness abounds again the U.K. this morning, reflecting investors' skepticism in the government's claim that a Brexit deal is '95% complete'. One may doubt the '95' figure, but even if it is correct, we would suggest that solving the final 5% will prove to be more herculean than all of the prior 95.



- Price action in GBP seems to reflect such doubts with cable trading back in the \$1.29 zip code, having rallied as high as \$1.3230 earlier this month. With prime minister May pinned up against the ropes, but still standing, we believe that GBP risk remains skewed to the downside amid little sign of any imminent breakthrough emerging in the Brexit polemic.

## Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	3.05%	+0.4	+4.0	+10.1	+105.1	+84.4
10Y	3.20%	+0.6	+4.2	+13.5	+83.1	+79.3
30Y	3.39%	+1.2	+5.2	+18.9	+50.5	+64.9

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	318.8	-0.4	+4.6	+10.0	+111.5	+94.4
10Y	326.0	-0.1	+5.3	+11.6	+91.9	+86.2
30Y	328.9	-0.3	+5.4	+14.4	+70.1	+75.2

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1464	-0.43%	-0.99%	-2.42%	-2.43%	-4.51%
GBP USD	1.2963	-0.86%	-1.44%	-1.20%	-1.78%	-4.07%
USD JPY	112.82	+0.24%	+0.94%	+0.02%	-0.54%	+0.12%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.6698	+0.51%	-2.03%	-7.85%	+52.55%	+49.28%
USD INR	73.5638	+0.33%	+0.12%	+1.28%	+13.15%	+15.17%
USD IDR	15,187.0	+0.00%	-0.09%	+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	403.1	+2.0	+7.3	+11.3	+86.9	+74.4
Sovx CEEMEA	93.6	-0.1	-0.2	+13.1	+52.9	+60.9
Itrax Xover	293.9	-0.8	-0.2	+23.3	+54.8	+60.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	68.1	-1.2	+0.2	+4.3	+7.9	+6.4
Kuwait 5Y	67.5	-0.4	-2.3	+0.5	+5.5	+3.6
Dubai 5Y	128.0	-0.7	-0.2	+1.6	+0.9	+5.6

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	75.9	-0.9	-1.5	-1.6	-25.7	-25.0
KSA 5Y	97.0	-3.8	+7.3	+19.9	+13.6	+5.3
Bahrain 5Y	286.4	+0.3	-6.6	-41.3	+48.5	+9.9

Source: Bloomberg

## Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	69.36	+0.35%	-3.37%	-2.01%	+33.64%	+14.80%
Brent Oil \$/bbl	79.83	+0.06%	-1.18%	+1.31%	+39.15%	+19.38%
Gold spot \$/oz	1,222.1	-0.36%	-0.40%	+1.92%	-4.69%	-6.19%
Silver spot \$/Troy oz	14.563	-0.38%	-0.89%	+2.16%	-14.76%	-14.02%
Aluminium 3MO \$	2,007.0	+0.20%	-0.99%	-4.02%	-6.04%	-11.51%
Nickel 3MO \$	12,530	+0.64%	-0.67%	-5.43%	+6.77%	-1.80%
Copper 3MO \$	6,242	+0.35%	-0.94%	-1.90%	-10.21%	-13.87%

Source: Bloomberg

## Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
<b>GLOBAL</b>						
Dow Jones Inds. Avg	25,317	-0.50%	+0.26%	-5.33%	+8.78%	+2.42%
S&P 500	2,756	-0.43%	+0.19%	-5.93%	+7.44%	+3.08%
Nasdaq Composite	7,469	+0.26%	+0.51%	-6.49%	+13.39%	+8.19%
Nikkei	22,615	+0.37%	+1.54%	-5.26%	+4.23%	-0.66%
Hang Seng	26,153	+2.32%	+2.78%	-6.44%	-7.61%	-12.59%
Shanghai	2,655	+4.09%	+3.38%	-5.10%	-21.47%	-19.72%
Mumbai Sensex	34,134	-0.53%	-2.10%	-7.35%	+5.01%	+0.23%
DAX	11,524	-0.26%	-0.77%	-7.29%	-11.37%	-10.79%
CAC 40	5,053	-0.62%	-0.82%	-8.02%	-6.19%	-4.88%
FTSE 100	7,043	-0.10%	+0.19%	-5.97%	-6.40%	-8.39%
DJ Stoxx 50	3,190	-0.65%	-0.63%	-7.02%	-11.60%	-8.96%
FTSE MIB Index	18,966	-0.60%	-1.67%	-11.94%	-15.25%	-13.21%
SMI Index	8,866	-0.07%	+2.45%	-1.44%	-4.14%	-5.50%
<b>MENA</b>						
Abu Dhabi – ADX	4,932	-0.48%	+0.03%	+0.82%	+9.64%	+12.14%
Dubai – DFM	2,748	+0.01%	+0.73%	-0.52%	-24.06%	-18.47%
Saudi Arabia	7,649	-0.15%	+1.07%	-1.54%	+11.07%	+5.84%
Qatar	10,274	+1.18%	+4.48%	+5.17%	+26.57%	+20.54%
Bahrain	1,323	+0.04%	+0.84%	-2.13%	+2.71%	-0.68%
Kuwait (Premier Market)	5,147	-0.42%	-0.48%	-2.68%	-0.71%	+4.07%
Oman	4,455	+0.04%	+0.07%	-0.71%	-11.49%	-12.64%
Egypt	13,646	+0.90%	+0.92%	-4.31%	-1.62%	-9.14%
Turkey	94,682	-1.84%	-4.00%	-3.37%	-11.76%	-17.91%

Source: Bloomberg

## Overnight market headlines

### Global News

- Goldman Warns It's Not Over Yet for Italian Debt Market Woes (Bloomberg)
- Citigroup Seeks to Curb China Travel as UBS Ends Restriction (Bloomberg)
- Pound's Brexit Swing Threatens to Rip Up BOE's Inflation Outlook (Bloomberg)
- PBOC Is Said to Plan 10 Billion Yuan to Help Private Bond Sales (Bloomberg)
- GAM Assets Drop by \$18 Billion in Wake of Haywood Suspension (Bloomberg)
- Trudeau Said to Announce Carbon Plan Tuesday for Holdout Ontario (Bloomberg)
- U.S. GDP Report Seen Giving Trump a Trophy Before Midterm Vote (Bloomberg)

### Middle East & Africa News

- UAE tourists can claim VAT refund from 18 November (Zawya)(Gulf news)
- Saudi's PIF targets growth in global assets to 50% by 2030 –exec (Zawya)
- Morocco looks to privatisation to curb budget deficit in 2019 –minister (Zawya)
- Oman's Budget deficit shrinks 36% in first seven months (Reuters)
- Oman mandates banks for seven-year dollar sukuk sale (Reuters)
- National Bank of Bahrain seeks to buy rival shares (Gulf news)
- Egypt's Arab Contractors eyes \$1.33bln in new contract work by 2020, ahead of unit's IPO – chairman (Zawya)

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