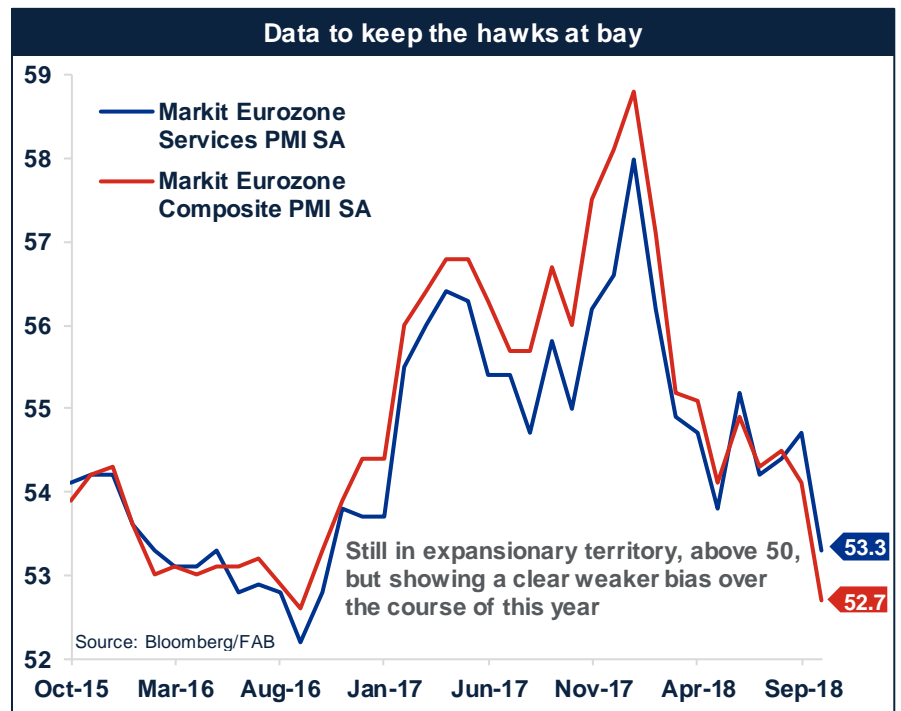


Daily Market Chatter

Macro Strategy View: Eggs, Chips and Beans

- Yes, it's ECB day again today. While we do not expect any change in the headline interest rates – a move would be a severe shock to the market – we will be paying close attention to president Draghi's comments in the post announcement press conference. While Draghi will surely maintain an optimistic and assured tone, the flavor of his remarks could be particularly interesting in the context of yesterday's weaker-than-consensus Eurozone PMI data.
- Eurozone Services PMI came in at 53.3 down from 54.7 in September and well below the expected small drop to just 54.5. Meanwhile, the composite PMI index for October was 52.7 versus expectation of 53.9 and again well down from the 54.1 seen last month.



- Yes, the indices are still running above the key 50 contraction/expansion threshold of course – and one month's data does not a quarter make – but the PMI data nonetheless paint a picture of a softening macro environment. This in turn may clip the wings of the hawks on the ECB and could certainly trigger a degree repricing in the futures market of (first) ECB rate hike expectations in 2019.

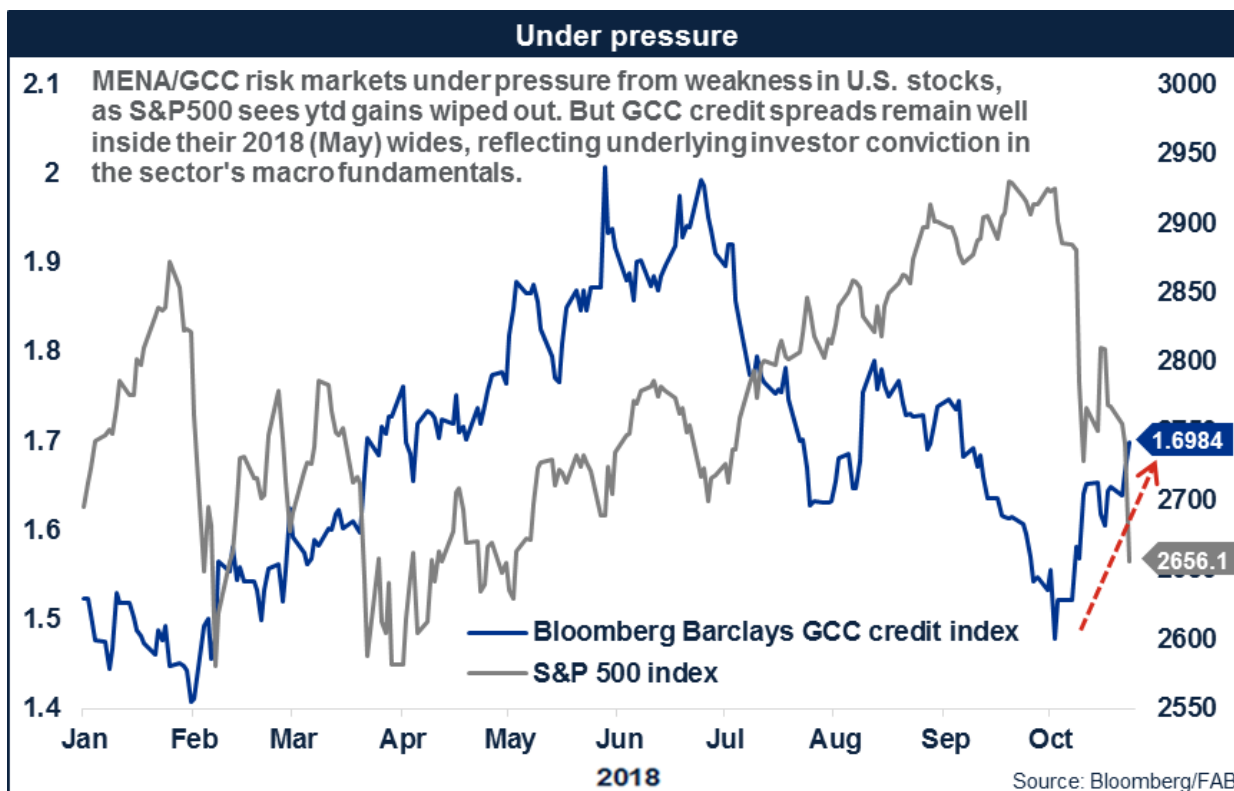
25th October 2018

Simon Ballard
 Macro Strategist

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

Back to this morning's markets...

- And Asian equity and credit markets are markedly weaker in early trading, following the rout that hit U.S. risk assets on Wednesday. Continuing – and escalating – concerns about the outlook for global growth amid tightening financial market conditions, and the negative ramifications this has for corporate balance sheets going forward are again the key drivers of investor caution. Asian stocks are firmly in the red this morning with the Nikkei -2.80% and the Hang Seng -1.90% as of 8am UAE time, which will likely weigh on MENA and GCC market sentiment as we head into the weekend.
- But, importantly, we do not see any evidence of investor capitulation. Yes, the selloff in U.S. stocks yesterday may have wiped out the major bourses' year-to-date gains and U.S. investment grade credit may now be 21bps wider ytd after widening 4bps this week, but U.S. equity futures are implying a (tentative?) recovery when New York opens later.



- Moreover, there is no tangible sign of weakness in the current corporate earnings season, with earnings growth of 23.34% as of now with 161 of the S&P500 having reported. But it is the forward guidance that is key, with corporate treasurers increasingly warning about the costs and consequences of trade tariffs and a higher yield curve structure.
- The fragility of investor sentiment is palpable.
- All of this continues to support our recommended defensive investment strategy and firm bias toward quality and liquidity. These parameters should underscore the relative value of select GCC/MENA risk assets and ensure investors the ability to adjust/reposition risk exposure as the macro and/or geopolitical landscape evolves and to very discerningly take advantage of more attractive valuation levels to put cash to work.

Continued...

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.94%	+0.2	-11.7	-4.0	+89.7	+73.5
10Y	3.10%	-6.4	-10.2	+0.7	+67.2	+69.9
30Y	3.33%	-3.7	-4.2	+10.5	+39.0	+59.1

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	309.1	-6.8	-10.0	-1.5	+95.7	+84.7
10Y	317.4	-6.2	-9.3	+2.1	+76.6	+77.6
30Y	324.5	-0.4	-1.7	+7.7	+58.1	+70.8

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1392	-0.69%	-0.95%	-3.19%	-3.56%	-5.11%
GBP USD	1.2881	-0.79%	-1.78%	-2.30%	-2.87%	-4.68%
USD JPY	112.26	-0.16%	-0.35%	-0.63%	-1.30%	-0.38%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.7027	-0.65%	+2.10%	-7.45%	+51.36%	+50.14%
USD INR	73.1550	-0.56%	-0.61%	+0.63%	+12.73%	+14.53%
USD IDR	15,197.0	+0.03%	+0.01%	+1.87%	+11.92%	+12.11%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	411.8	+5.6	+17.3	+19.1	+94.7	+83.2
Sovx CEEMEA	96.3	-0.8	+5.7	+10.4	+54.2	+63.6
Itrax Xover	299.9	-1.2	+9.7	+30.8	+59.4	+66.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	67.5	-1.3	+1.0	+5.5	+7.5	+5.8
Kuwait 5Y	67.9	+0.4	-1.5	+0.5	+2.7	+4.0
Dubai 5Y	128.0	-1.1	+0.9	+3.8	+6.7	+5.6

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	75.9	-0.8	+0.9	+2.7	-26.8	-25.1
KSA 5Y	96.5	-0.8	+8.7	+23.4	+13.5	+4.8
Bahrain 5Y	280.1	-1.5	-12.9	-55.0	+39.8	+3.5

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	66.82	+0.59%	-4.20%	-7.55%	+28.06%	+10.59%
Brent Oil \$/bbl	76.17	-0.35%	-4.85%	-6.96%	+30.34%	+13.91%
Gold spot \$/oz	1,233.8	+0.28%	+0.94%	+2.71%	-3.42%	-5.30%
Silver spot \$/Troy oz	14.686	-0.33%	+0.52%	+1.53%	-13.36%	-13.30%
Aluminium 3MO \$	1,997.0	-0.20%	-1.24%	-3.06%	-7.33%	-11.95%
Nickel 3MO \$	12,225	-1.21%	-1.21%	-5.63%	+1.92%	-4.19%
Copper 3MO \$	6,179	-0.27%	-0.64%	-2.74%	-12.17%	-14.74%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,583	-2.41%	-4.37%	-7.21%	+5.38%	-0.55%
S&P 500	2,656	-3.09%	-5.45%	-8.90%	+3.87%	-0.65%
Nasdaq Composite	7,108	-4.43%	-6.99%	-11.23%	+8.30%	+2.97%
Nikkei	22,091	+0.37%	-3.28%	-7.72%	+1.77%	-2.96%
Hang Seng	25,250	-0.38%	-0.83%	-8.18%	-10.79%	-15.61%
Shanghai	2,603	+0.33%	+1.63%	-6.39%	-23.36%	-21.28%
Mumbai Sensex	34,034	+0.55%	-2.14%	-7.14%	+3.00%	-0.07%
DAX	11,192	-0.73%	-4.47%	-9.56%	-13.60%	-13.36%
CAC 40	4,953	-0.29%	-3.73%	-9.60%	-7.85%	-6.77%
FTSE 100	6,963	+0.11%	-1.30%	-7.25%	-6.50%	-9.43%
DJ Stoxx 50	3,130	-0.34%	-3.48%	-8.46%	-12.84%	-10.66%
FTSE MIB Index	18,485	-1.69%	-4.98%	-14.69%	-17.65%	-15.41%
SMI Index	8,725	-0.49%	-0.29%	-3.29%	-3.96%	-7.01%
MENA						
Abu Dhabi – ADX	4,926	-0.89%	-0.62%	+0.71%	+9.49%	+12.00%
Dubai – DFM	2,738	-0.55%	-0.13%	-0.58%	-25.30%	-18.76%
Saudi Arabia	7,513	-0.49%	-1.90%	-4.97%	+8.79%	+3.96%
Qatar	10,153	-1.09%	-0.05%	+4.52%	+24.96%	+19.11%
Bahrain	1,316	-0.36%	+0.24%	-2.88%	+2.97%	-1.15%
Kuwait (Premier Market)	5,209	+0.74%	+0.55%	-2.46%	+1.02%	+5.32%
Oman	4,463	+0.08%	+0.22%	-0.51%	-10.72%	-12.48%
Egypt	13,246	-2.45%	-4.12%	-7.75%	-4.71%	-11.80%
Turkey	92,692	-0.83%	-6.36%	-6.65%	-14.45%	-19.63%

Source: Bloomberg

Overnight market headlines

Global News

- May survives meeting with Tory lawmakers on her Brexit Plan (Bloomberg)
- Biggest China ETF inflow since 2015 sparks state-buying chatter (Bloomberg)
- Italy's Di Maio reiterates support for euro, says won't change deficit goal (Reuters)
- Bank of Canada Raises Interest Rates (WSJ)
- Boeing lands on Airbus turf, with first European factory in U.K. (Bloomberg)
- Pakistan will still seek IMF bailout after Saudi support package (Bloomberg)
- Oil prices pulled down by global stock market plunge (Reuters)

Middle East & Africa News

- Saudi Prince says kingdom 'will completely change' in 5 yrs (Bloomberg)
- Bahrain Crown Prince expects more than \$600 mln in FDI this year (Bloomberg)
- Hariri: Lebanon can't face economic challenges without reforms (Bloomberg)
- Enoc eyes up to USD2bn in investment after refinery expansion (the National)
- US firm to start building hyperloop track in Abu Dhabi next year (Reuters)
- Saudi Arabia's non-oil revenues up 48 percent in third-quarter: finance minister (Reuters)
- NMC Health, Hassana Investment sign agreement to build Saudi healthcare network (Reuters)

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