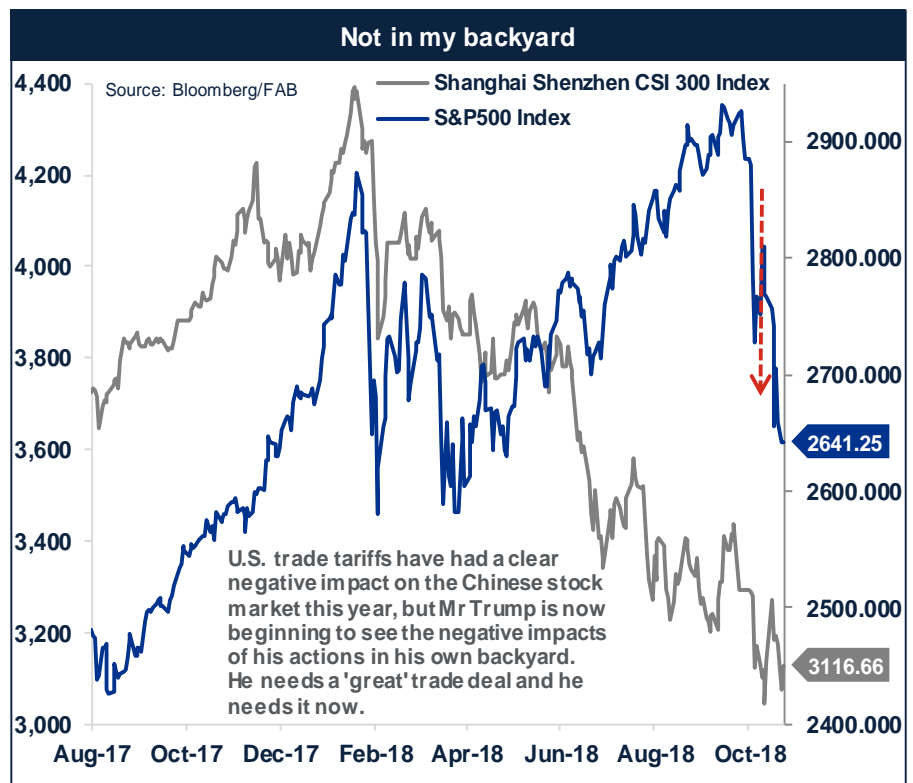


Daily Market Chatter

Macro Strategy View: Rebounds and retreats

- Asian equity markets may be trading higher this morning, but let's not lose sight of the fragility still very much embedded across risk asset markets. Myriad macroeconomic and geopolitical uncertainties, including U.S./China trade tensions, Brexit, Italy's financial stability and German Chancellor Merkel's announcement yesterday that she will step down from office by 2021, are all very much in play and will continue to weigh – to varying degrees – on investor sentiment over the coming months.
- That the press is ascribing comments from U.S. president Trump overnight that he expects a 'great' trade deal to be achieved with China as the basis for this morning's improved market tone, suggests that the buoyancy could be short-lived. We are sure he does; Trump has always been convinced in his own ability to achieve what he sets out for. Reality can be less positive though. Near-term headwinds to market sentiment certainly seem set to remain in place for now.



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- The outlook for risk appetite therefore may now hinge on the (trade) talks scheduled for next month between Trump and Xi Jinping, with the U.S. seen preparing to then impose tariffs on all remaining Chinese imports if the talks fail to yield an agreement. As such, we expect rebounds and retreats in risk asset pricing to remain a key theme over the coming weeks as the market remains susceptible to headline risk.

- Europe also remains a potential source of buffeting for global markets. While sentiment over Mrs Merkel's resignation announcement is already beginning to stabilize, Brexit uncertainties remain acute and should continue to dampen GBP sentiment. Meanwhile, another near-term source of (European) instability could come from Italy as the Italian government challenges European rules and investors' risk tolerance levels. Indeed, the loose fiscal policies being promoted by Rome in its 2019 budget – ramping up borrowing and running an elevated budget deficit of 2.4% vs the previous government's 0.8% target, in an effort to pump-prime the economy – albeit only making good on coalition's election promises, could be a more meaningful risk to broader Eurozone stability than Brexit is.



- The 10y Italy/Germany yield spread has retreated from the recent wides, as has the 5y Italy CDS spread, but the overall tone remains fragile with spreads elevated on an historic basis. We think such defensive positioning is justified for now. With Italy's debt/GDP ratio already exceeding 130%, the standoff between Rome and Brussels could swiftly deteriorate into higher funding costs, strains on Italian banks, talk of capital controls and, in a worst case scenario, a broader financial crisis and even 'Romexit'. Watch this space!

Major Rates & FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	2.92%	+1.2	-13.1	-3.4	+92.4	+71.3
10Y	3.09%	+0.9	-11.3	+2.4	+71.7	+68.0
30Y	3.33%	+2.0	-5.8	+12.5	+45.0	+59.2

Source: Bloomberg

\$ Mid Swap	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	307.4	+1.6	-11.5	-0.7	+100.0	+83.0
10Y	315.2	+1.4	-10.9	+1.5	+80.6	+75.4
30Y	323.1	+2.0	-5.8	+8.7	+63.1	+69.4

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1373	-0.26%	-0.79%	-1.77%	-2.39%	-5.26%
GBP USD	1.2793	-0.27%	-1.31%	-1.91%	-3.14%	-5.33%
USD JPY	112.37	+0.41%	-0.40%	-1.37%	-0.72%	-0.28%

Source: Bloomberg

	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	5.5611	-0.58%	-1.92%	-6.37%	+46.96%	+46.41%
USD INR	73.4463	-0.03%	-0.17%	+0.73%	+13.25%	+14.99%
USD IDR	15,223.0	+0.04%	+0.20%	+2.09%	+12.08%	+12.31%

Source: Bloomberg

MENA Credits

Indices	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
JPMEMBI Sov	414.9	+2.2	+11.8	+30.7	+95.7	+86.2
Sovx CEEMEA	94.0	-2.8	+0.4	+12.6	+52.5	+61.4
Itrax Xover	301.0	-3.6	+7.1	+28.7	+73.1	+67.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	68.9	-0.5	+0.8	+7.8	+8.4	+7.3
Kuwait 5Y	67.9	+0.1	+0.4	+1.5	+7.9	+4.0
Dubai 5Y	120.8	-2.4	-7.3	-2.1	-10.1	-1.7

Source: Bloomberg

CDS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Qatar 5Y	73.5	-1.6	-2.5	+6.2	-28.5	-27.5
KSA 5Y	90.2	-4.3	-6.8	+22.7	+8.4	-1.6
Bahrain 5Y	290.4	+1.7	+4.0	-6.6	+50.3	+13.9

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
WTI Oil \$/bbl	67.04	-0.81%	-3.08%	-8.48%	+23.80%	+10.96%
Brent Oil \$/bbl	77.34	-0.36%	-3.12%	-6.50%	+27.00%	+15.66%
Gold spot \$/oz	1,229.4	-0.33%	+0.60%	+3.40%	-3.67%	-5.63%
Silver spot \$/Troy oz	14.458	-1.62%	-0.72%	-0.21%	-14.22%	-14.64%
Aluminium 3MO \$	1,984.0	-0.70%	-1.15%	-3.78%	-8.49%	-12.52%
Nickel 3MO \$	11,755	-1.22%	-6.19%	-6.71%	+1.51%	-7.88%
Copper 3MO \$	6,160	+0.00%	-1.31%	-1.57%	-9.81%	-15.00%

Source: Bloomberg

Major Equities Markets

Major Stock Markets	Prev day Close	Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	24,443	-0.99%	-3.45%	-7.62%	+4.69%	-1.12%
S&P 500	2,641	-0.66%	-4.16%	-9.36%	+2.66%	-1.21%
Nasdaq Composite	7,050	-1.63%	-5.60%	-12.38%	+5.24%	+2.13%
Nikkei	21,150	-0.16%	-6.48%	-12.31%	-3.92%	-7.09%
Hang Seng	24,812	+0.38%	-5.13%	-10.71%	-12.44%	-17.07%
Shanghai	2,542	-2.18%	-4.25%	-9.90%	-25.02%	-23.13%
Mumbai Sensex	34,067	+2.15%	-0.20%	-5.96%	+2.41%	+0.03%
DAX	11,335	+1.20%	-1.64%	-7.44%	-14.32%	-12.25%
CAC 40	4,989	+0.44%	-1.27%	-9.18%	-9.18%	-6.08%
FTSE 100	7,026	+1.25%	-0.23%	-6.44%	-6.16%	-8.60%
DJ Stoxx 50	3,155	+0.64%	-1.10%	-7.19%	-13.85%	-9.96%
FTSE MIB Index	19,040	+1.91%	+0.39%	-8.07%	-16.32%	-12.87%
SMI Index	8,760	+1.08%	-1.19%	-3.61%	-4.53%	-6.63%
MENA						
Abu Dhabi – ADX	4,872	-0.53%	-1.71%	-1.29%	+9.31%	+10.76%
Dubai – DFM	2,715	-0.37%	-1.19%	-4.24%	-25.21%	-19.44%
Saudi Arabia	7,848	+0.57%	+2.60%	-1.90%	+12.99%	+8.60%
Qatar	10,192	+0.47%	-0.81%	+3.86%	+24.34%	+19.57%
Bahrain	1,315	-0.29%	-0.57%	-1.76%	+3.02%	-1.25%
Kuwait (Premier Market)	5,217	-0.02%	+0.89%	-2.38%	+2.47%	+5.48%
Oman	4,429	-0.57%	-0.58%	-2.53%	-11.11%	-13.15%
Egypt	13,074	+0.72%	-4.19%	-10.55%	-7.91%	-12.95%
Turkey	90,542	-3.42%	-6.13%	-9.42%	-16.08%	-21.50%

Source: Bloomberg

Overnight market headlines

Global News

- Trump predicts a great deal with China on trade; report says US planning more China tariffs if Xi meeting fails
- US consumer spending solid; income gain smallest in 15 months
- Hammond says UK austerity ending, as long as Brexit deal gets done
- Asia stocks rise as Trump discusses a China deal; Yuan hit its weakest level against the dollar in a decade; WTI crude oil trades near \$67

Middle East & Africa News

- Saudi Arabia sells \$866.4m in domestic sukuk
- Oman to expand LNG capacity by 10% over the next four years; Output capacity will be increased to 11.4 million tons a year
- Burgan Bank Group 9-month profits up 32% to \$235m
- Saudi index extends gain after earnings; Abu Dhabi, Dubai index close lower
- Kenya to raise \$2.8bn from eurobonds, loans this year

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