Market Insights & Strategy



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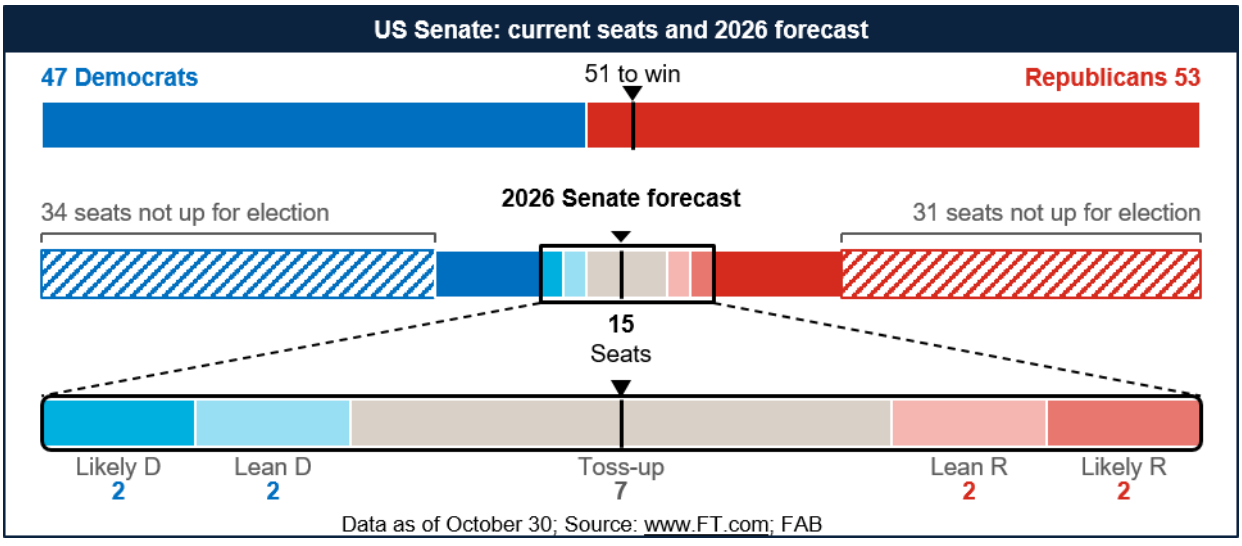
Simon Ballard
Chief Economist

Daily Market Chatter

Macro Strategy View: Big Time

- **Midterms at heart of the political tripartite**
- **Markets at risk of potential election 'lose-lose'**
- **Economically bifurcated Eurozone in hawkish hold**
- **Time to 'restart' the French economy**
- **All eyes on NFP, post tomorrow's elections**

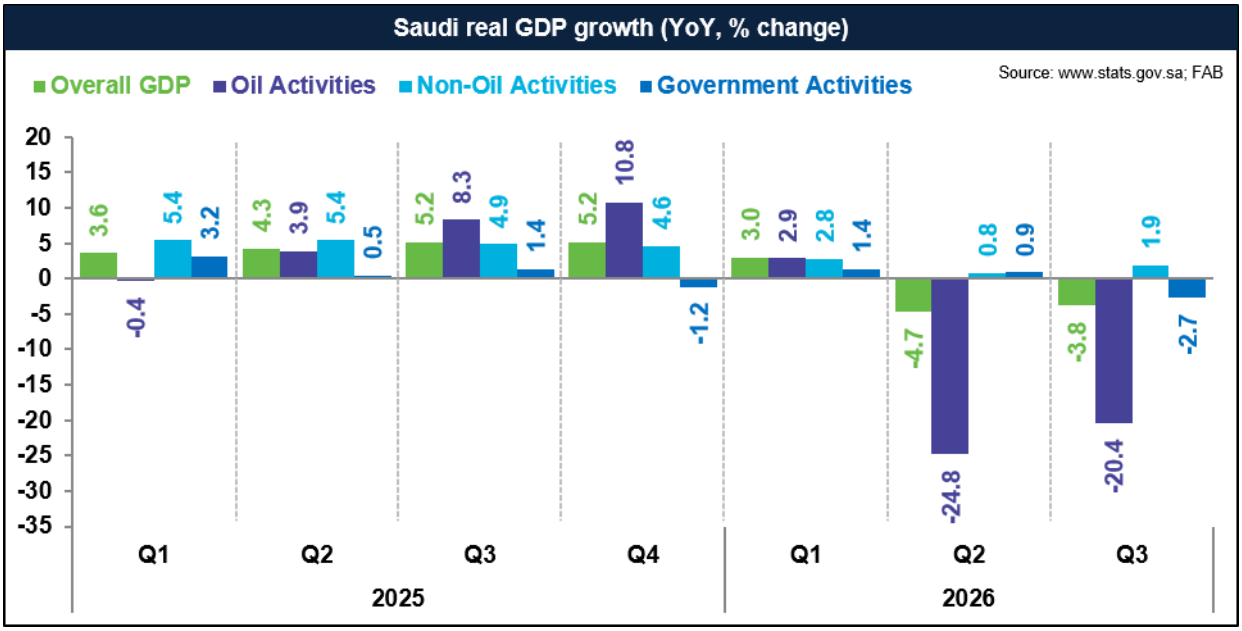
➢ However you look at it, this is going to be a big week; politically, geopolitically, and socio-politically, not to mention in terms of macro data. At the heart of the political tripartite is the U.S. midterm elections, voting in which will take place tomorrow (Tuesday November 3). The betting markets currently show a strong democratic advantage in terms of polling expectations. The markets show an implied probability of 65%+ that the Democrats will win both the House and the Senate. Meanwhile the market is pricing in a less than 7% implied probability that the Republicans will retain both chambers.



➢ Whatever the outcome of the elections might be – from a 'red wave' to a 'blue wave' – we believe that the path of least resistance could be toward financial market volatility and an adverse reaction in investor sentiment. If the Democrats win both Houses, U.S. President Trump will effectively become a 'lame duck' President for the final two years of his administration - a status that he would surely be unlikely to accept gracefully.

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- The geopolitical risk would be that Trump becomes even more aggressive and dangerous over the next two years. Risk assets and haven trades would respond accordingly, all of which would surely have wide-ranging, bearish consequences for GCCC & Egypt markets and economies.
- Conversely, if the Republicans outperform consensus and retain both Houses, the U.S,. President would surely feel emboldened. The risk therein would then be that Trump's approach to domestic and perhaps more worrying, foreign policy could be even more belligerent than it has been thus far. Again, this would surely have wide-impacting negative consequences for GCCC & Egypt markets and economies.
- Saudi Arabia's flash estimate for Q3 2026 GDP, released yesterday, clearly show the economic fallout from the US-Iran conflict, as the kingdom's economy contracted for the second consecutive quarter. Flash data showed real GDP contracted 3.8% YoY in Q3'26 (following -4.7% contraction in Q2). The downturn remains overwhelmingly oil-driven, also impactng the non-oil sectors. Oil activities fell 20.4% YoY (after -24.8% in Q2). In contrast, non-oil activity proved relatvely resilient, expanding 1.9% YoY in Q3, up from 0.8% in Q2. The softer spot was government activity, which swung from +0.9% growth in Q2 to a 2.7% YoY contraction in Q3.



- Coming back to the US midterm elections, whatever is the the result, the bottom line is that the outcome carries the potential to fuel near-term global financial market volatility over the coming days. The range of possible outcomes, which should be known by early Wednesday morning seem to suggest that in a worst case scenario, global financial markets will be facing the prospect of a 'lose, lose' situation. Brace yourselves.
- Elsewhere, in similar veins to the Federal Reserve's latest policy announcement, we saw the European Central Bank leave Eurozone rates unchanged on Thursday. The key takeaway from Ms Lagarde and her ECB colleagues was that this latest policy decision was a 'hawkish hold'. In the ECB's accompanying narrative, President Lagarde made clear that the Governing Council actively discussed a hike and that, absent a meaningful, dovish, improvement in the data, the direction of travel will be toward tighter policy in the coming months.
- The latest (Q3) GDP data from the Eurozone has only helped to accentuate the increasingly economically bifurcated nature of the region. While on the one hand the Eurozone economy expanded by 0.4% in the third quarter - double earlier consensus expectations - on the other, we saw the French economy contract by a worrying -0.1% over the same period. L'Hexagone, as France is colloquially known, the Eurozone's second largest economy, clearly remains mired in the pressures of the recent steep rise in borrowing costs, painfully high energy prices and rising socio-political instability. In contrast, Germany surpassed expectations (+1.3% GDP growth over the same period, up from 1.0% in Q2) and Spain also reported a respectable quarter with GDP growth of +0.6%.

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- What now seems evident is that the French economy will prove to have been at a standstill during this year (2026), due to the unprecedented combination of external and internal shocks. These shocks have rocked France from three directions; macro, geopolitical and socio-political. As French finance minister Lescure told Franceinfo TV on Friday morning, when referring to the French economy; "We need to restart it".
- Finally, in terms of the macro data outlook for this week, arguably the main spotlight will be on Friday's release of the October U.S. nonfarm payrolls report. Consensus is for 65k job gains last month, up from (the initially reported) 29k jobs added in September. At the same time, the U.S. unemployment rate should hold steady at 4.2%. Attention will be particularly focused on this latest labor market data after Fed chair Warsh last week described economic activity as strong, investment as robust and labour-market conditions as positive, while stressing that inflation remains elevated and (well) above the Fed's 2% target. He also stopped short of calling financial conditions tight. This will leave markets sensitive to upcoming data (and Trump rhetoric) over the coming days and week that might suggest that further tightening may ultimately be necessary (at the December FOMC meeting?).
- Markets will also be susceptible this week to the ongoing 3Q2026 earnings season headlines. The week's calendar will be particularly heavy in technology and other economically sensitive sectors. Major scheduled reporters include Apple, Pfizer, Qualcomm, McDonald's and Uber. For market sentiment as a whole though, we would suggest that forward looking earnings guidance, as well as the implied durability of AI-related demand, as always, will be more market moving than positive, backward-looking EPS surprises.

Continued…

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Major Rates &FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	4.721%	-2.3	-8.7	-33.3	+103.3	+99.5
10Y	4.930%	-0.9	-6.6	-34.3	+85.2	+76.1
30Y	5.309%	+0.8	-1.5	-31.2	+65.7	+46.4

Source: Bloomberg

US$ SOFR OIS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	444.1	-2.3	-8.2	-31.9	103.0	97.7
10Y	454.1	-1.6	-6.2	-32.5	85.8	73.9
30Y	465.9	-0.7	-2.5	-28.5	68.8	49.2

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.116	-0.18%	-0.37%	-0.84%	-3.12%	-4.99%
GBP USD	1.3391	0.11%	0.13%	1.13%	1.91%	-0.62%
USD JPY	157.56	-0.10%	0.44%	-0.18%	2.17%	0.54%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	49.9411	+0.10%	+0.50%	+1.64%	+18.74%	+16.26%
USD INR	94.9550	-0.32%	+0.01%	-1.42%	+6.95%	+5.65%
USD IDR	18,127.00	-0.03%	+0.39%	+1.41%	+8.83%	+8.61%

Source: Bloomberg

MENA Credits

Index Spreads	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
EM Sovs Hard Ccy	205.3	+7.0	+3.4	+23.5	+8.8	+22.2
EM Agg Hard Ccy	197.4	+5.8	+5.2	+25.9	+14.4	+16.7
GCC: IG+HY	133.1	+5.6	+3.5	+23.1	+49.5	+37.9

Source: Bloomberg; The above indices indicated are all Bloomberg index

CDS (CMAI pricing data)	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
Abu Dhabi 5Y	38.8	+2.9	-2.7	+0.0	+10.6	+11.4
Kuwait 5Y	58.3	-3.2	-4.1	-0.9	-3.2	+10.9
KSA 5Y	71.9	+2.1	-4.5	+2.9	+10.3	+4.8
Dubai 5Y	66.0	+1.4	-3.1	+2.7	+14.0	+19.9
Oman 5Y	81.5	+0.3	-2.5	-8.1	+12.5	+11.1
Bahrain 5Y	320.8	+8.6	-9.2	-26.4	+155.1	+137.0
Egypt 5Y	346.3	+7.7	-10.5	+19.6	+13.6	+75.4

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil $/bbl	104.12	+2.08%	+0.82%	+14.28%	+70.74%	+81.33%
Brent Oil $/bbl	113.43	-1.26%	-2.82%	+10.93%	+74.32%	+86.41%
Gold spot $/oz	3,874.6	-3.65%	-3.04%	-6.44%	-3.17%	-10.30%
Silver spot $/Troy oz	49.100	-5.85%	-8.89%	-18.66%	+2.13%	-31.49%
Aluminium 3MO $	3,069.0	-0.31%	+0.84%	-3.17%	+7.18%	+2.45%
Nickel 3MO $	15,271	-1.71%	-3.64%	-4.12%	+0.27%	-8.26%
Copper 3MO $	14,155	-1.41%	-1.17%	-1.77%	+29.66%	+13.94%

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Major Equities Markets

Major Stock Markets	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	51,770	-1.09%	-0.85%	+1.16%	+8.85%	+7.71%
S&P 500	7,580	-1.82%	-0.57%	-1.85%	+10.82%	+10.73%
Nasdaq Composite	25,437	-2.86%	-2.00%	-6.45%	+7.22%	+9.44%
Nikkei	63,290	-2.66%	+0.95%	-7.35%	+20.76%	+25.73%
Hang Seng	23,294	+1.46%	+0.87%	-2.83%	-10.08%	-9.11%
Shanghai	3,599	-6.82%	-2.48%	-6.33%	-9.00%	-9.32%
Mumbai Sensex	74,460	+0.42%	+1.83%	+3.55%	-11.29%	-12.63%
DAX	25,818	-0.85%	+2.53%	+2.33%	+7.76%	+5.42%
CAC 40	7,969	-0.01%	+2.40%	+0.91%	-1.87%	-2.21%
FTSE 100	10,730	+0.07%	+0.37%	+2.56%	+10.42%	+8.04%
DJ Stoxx 50	6,131	-1.22%	+1.04%	-1.72%	+8.29%	+5.87%
FTSE MIB Index	49,501	-1.00%	+1.94%	-1.95%	+14.65%	+10.14%
SMI Index	14,811	+0.36%	+2.41%	+8.42%	+21.06%	+11.63%
MENA						
Abu Dhabi – ADX	9,466	-0.12%	-1.27%	-5.08%	-6.27%	-5.27%
Dubai – DFM	5,771	-0.81%	+0.64%	-2.21%	-4.76%	-4.57%
Saudi Arabia	10,946	+10.33%	+15.97%	+5.32%	-5.11%	+4.34%
Bahrain	1,819	-0.60%	-1.60%	-4.49%	-12.29%	-11.98%
Kuwait (Premier Market)	8,826	-0.75%	+0.67%	-3.15%	-7.68%	-7.08%
Oman	7,293	-0.73%	+0.20%	-4.03%	+29.44%	+24.30%
Egypt	48,744	-1.72%	-1.00%	-8.13%	+27.99%	+16.53%
Turkey	10,760	-3.64%	-4.11%	-12.31%	-1.93%	-4.46%

Source: Bloomberg

Simon Ballard

Chief Economist

Market Insight & Strategy

FAB Global Markets Tel: +971-2-6110012

Mobile: +971-50-9332806

Email: Simon.Ballard@bankfab.com

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Market Insights & Strategy		
Simon Ballard	Chief Economist & Head of Market Insights & Strategy	Simon.Ballard@bankfab.com
Glenn Wepener	Chief Strategist	Glennmaurice.Wepener@bankfab.com
Rakesh Sahu	Analyst	Rakesh.Sahu@bankfab.com
Mohamed Al Shamsi	Analyst	Mohamedali.Alshamsi@bankfab.com
Almaha Al Nuaimi	Analyst	Almaha.Alnuaimi@bankfab.com
Saloni Chadha	Analyst	Saloni.Chadha@bankfab.com
Rohan Chawla	Analyst	Rohan.Chawla@bankfab.com

Group email: MarketInsights&Strategy@bankfab.com

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