Market Insights & Strategy

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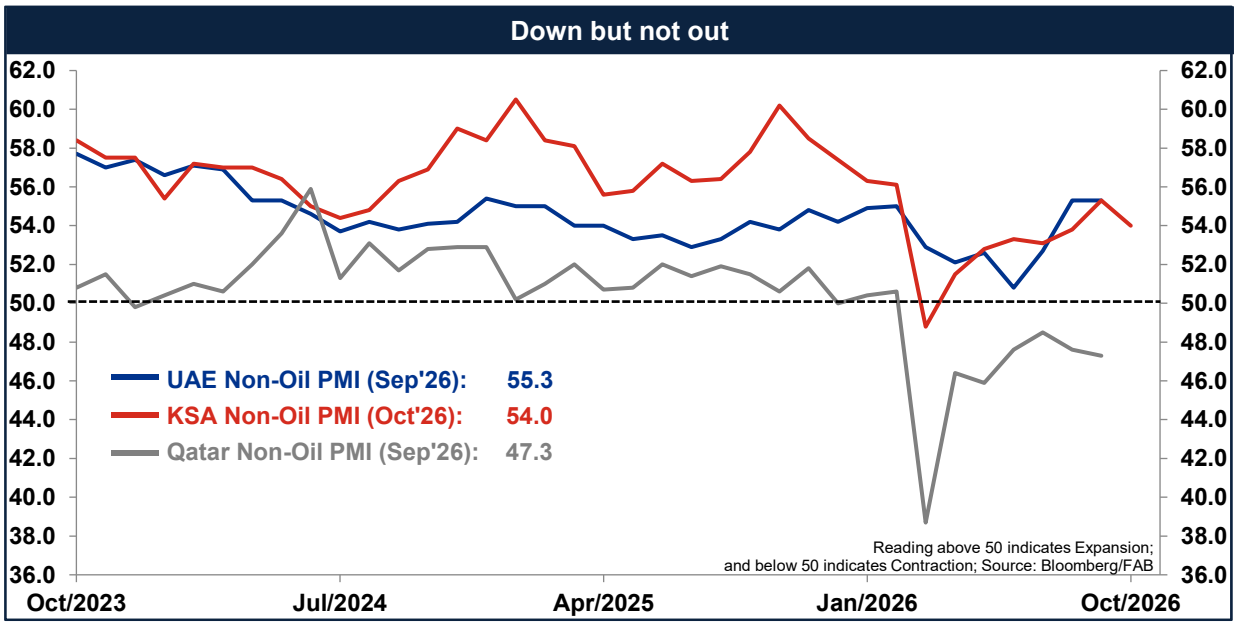
Daily Market Chatter

Macro Strategy View: Laughably ludicrous

- **Angered or emboldened; markets braced for Trump reaction**
- **Chipmakers continue to recede from lofty valuations**
- **Oil slips lower on diplomatic optimism**
- **KSA October PMI reflects regional challenges**

- If last night is anything to go by, then global markets should brace themselves for volatile and geopolitically challenging times ahead in the wake of the U. S. midterm elections. As we wrote yesterday, we believe that whether the Republicans perform strongly at the ballot box today or lose both the House of Representatives and the Senate as the electorate punish the Trump administration, we believe it will be a lose, lose situation for global market sentiment. The result will be between President Trump either being emboldened or relegated to 'lame duck' president status for the remaining two years of his term in the White House.
- The uncertain outlook for global markets was probably no better summarised than by President Trump's final speech in front of the Washington DC Reflecting Pool late yesterday. Described as 'laughably ludicrous and bizarre' by Sky News, Trump's midterm-eve appearance was not only meandering and, at times, incoherent, but also full of demonstrably false statements. Whatever the result of today's plebiscite, global markets – and the Gulf region – seem to have been put on notice as to what to expect.
- Meanwhile global markets are opening up with a weaker bias out of Asia this morning as the selloff in the chipmaker sector continues. The weakness is being fuelled out of South Korea where the KOSDAQ and the KOSPI are both indicated more than 3% lower on the day at the time of writing. Similarly, European and U.S. equity futures are also heading lower in early trading, and the Asia iTraxx credit indices are seeing better buying of protection across the complex.
- All of this uncertainty comes despite yesterday's decline in the oil price, which saw Brent crude trade as low at $103.28/bbl, compared to Friday's close of %113.43/bbl. Oil is holding steady this morning, albeit off Monday's low, but is still 7.6% lower with sentiment bolstered by optimism over diplomatic progress being made with Iran. That said, we recognise that the maintenance of such optimism will hang in the balance and perhaps precariously so as we gauge the midterm results and President Trump's reaction.
- Even closer to home, the latest (October) reading of KSA's non-oil, private sector Purchasing Managers' Index (PMI) was released earlier this morning. The data offered further verification of the economic strain our region is currently experiencing. Although still in 50+ economic expansion territory, and therefore indicating an overall improvement in operating conditions for the seventh consecutive month, this came at a slower pace last month. KSA's PMI slipped back to 54.0 in October from 55.3 in September.

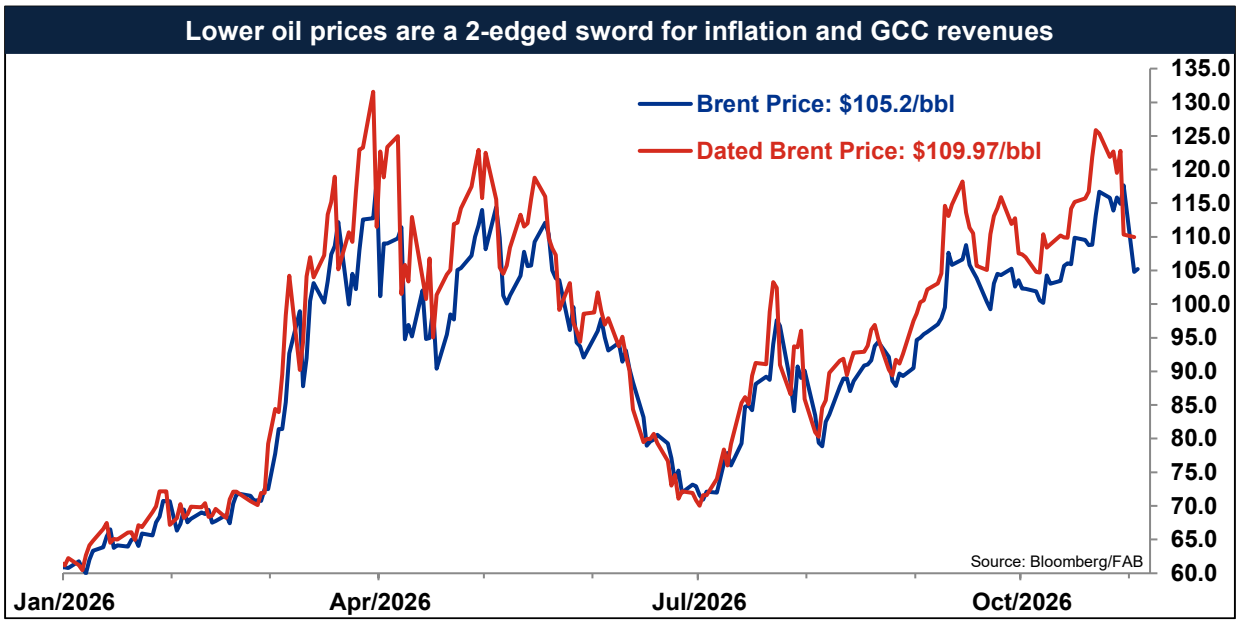
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- The PMI data pointed to a faster rise in business activity and robust demand growth. However, the rise in new business was less marked than September's seven month high, while job creation and purchasing activity growth both slowed. According to S&P Global, business confidence also remained subdued amid ongoing concerns about geopolitical tensions and rising costs. Meanwhile, demand remained reliant on the domestic market, as export orders fell for the eighth month running and at a sharper pace.
- As per S&P Global, new orders continued to rise strongly, though growth softened from September and remained below the series trend. Firms indicated that domestic sales had supported order books, while weaker external and trading conditions acted as a drag. Export sales fell at a steeper rate, with almost a quarter of panellists reporting a decline amid increased shipping disruption, higher freight and insurance costs, and competitive market conditions.
- The UAE's October PMI data – as well as that for Dubai - is scheduled for publication tomorrow at 8.15am GST. But before then we will also receive the Qatar Whole Economy PMI at 13.00 GST today. Qatar's PMI printed at 47.3 in September and so we will be analysing the data closely for (any) signs of relative economic stability or improvement.
- The bottom line in terms of the outlook for GCC & Egypt markets over the coming days would seem to be one of veiled caution as we continue to face a trilogy of challenges. First, we have the U.S. election uncertainty to deal with, and the result, whatever that might be, to digest.

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- Second, while oil prices have receded in the past 24 hours, they remain relatively high and still in triple-digit territory thereby reflecting the persistent overhang of geopolitical risk and nervousness. Lower oil prices are a positive in terms of creating a more dovish global inflation narrative, but at the same time they carry negative connotations for the oil-producing GCC nations.
- Finally, we are also experiencing a renewed reassessment of AI/technology sector valuations and the spectre of correction risk, should we deem equity valuations to be in bubble territory. But for now, all eyes will be fixed on the U.S. midterms exit polls and results as they are delivered. SB

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Major Rates &FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	4.710%	-1.1	-11.7	-34.4	+98.7	+98.4
10Y	4.914%	-1.6	-7.5	-35.9	+80.3	+74.5
30Y	5.287%	-2.2	-1.7	-33.4	+59.5	+44.2

Source: Bloomberg

US$ SOFR OIS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	443.3	-0.9	-10.5	-34.2	102.2	96.9
10Y	452.7	-1.4	-6.6	-38.5	84.4	72.5
30Y	464.2	-1.7	-1.9	-35.9	67.1	47.5

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1187	0.24%	0.12%	-0.32%	-2.89%	-4.76%
GBP USD	1.3406	0.11%	0.48%	1.39%	2.02%	-0.51%
USD JPY	157.94	0.24%	0.28%	0.02%	2.41%	0.78%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	49.9774	+0.07%	+0.45%	+1.70%	+18.83%	+16.35%
USD INR	94.9000	-0.06%	-0.31%	-1.45%	+6.89%	+5.59%
USD IDR	18,150.00	+0.13%	+0.14%	+1.36%	+8.96%	+8.75%

Source: Bloomberg

MENA Credits

Index Spreads	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
EM Sovs Hard Ccy	207.0	+1.7	+0.6	+9.8	+10.5	+23.9
EM Agg Hard Ccy	198.5	+1.1	+2.9	+14.3	+15.5	+17.8
GCC: IG+HY	132.0	-1.1	+1.9	+8.7	+47.0	+36.8

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	37.7	-1.0	-2.6	-0.7	+9.5	+10.4
Kuwait 5Y	57.6	-0.7	-1.9	-2.6	+9.0	+10.2
KSA 5Y	71.4	-0.5	-3.9	+2.5	+10.0	+4.3
Dubai 5Y	64.2	-1.9	-4.2	-5.5	+12.5	+18.0
Oman 5Y	80.6	-0.9	-2.9	-8.2	+13.0	+10.2
Bahrain 5Y	318.2	-2.5	-9.6	-30.9	+152.4	+134.5
Egypt 5Y	337.6	-8.7	-25.1	+9.6	+4.8	+66.7

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil $/bbl	96.46	-7.36%	-5.21%	+5.87%	+58.00%	+67.99%
Brent Oil $/bbl	104.77	-10.94%	-9.53%	+2.46%	+61.46%	+72.18%
Gold spot $/oz	3,946.3	+1.85%	-1.75%	-4.67%	-1.38%	-8.64%
Silver spot $/Troy oz	50.635	+3.13%	-6.17%	-17.09%	+5.32%	-29.34%
Aluminium 3MO $	3,094.0	+0.81%	+1.76%	-0.21%	+7.28%	+3.29%
Nickel 3MO $	15,556	+1.87%	-0.03%	-0.45%	+2.17%	-6.55%
Copper 3MO $	14,345	+1.35%	+0.12%	+0.61%	+31.76%	+15.47%

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Major Equities Markets

Major Stock Markets	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	51,984	+0.41%	-0.72%	+1.58%	+9.82%	+8.16%
S&P 500	7,541	-0.51%	-1.76%	-2.35%	+10.06%	+10.17%
Nasdaq Composite	25,164	-1.07%	-3.84%	-7.45%	+5.58%	+8.27%
Nikkei	63,082	-2.98%	+1.43%	-7.65%	+22.50%	+25.31%
Hang Seng	23,393	+0.42%	+0.78%	-2.42%	-10.57%	-8.73%
Shanghai	3,638	-5.81%	-1.61%	-5.31%	-8.51%	-8.34%
Mumbai Sensex	75,693	+1.66%	+2.83%	+5.26%	-9.87%	-11.18%
DAX	25,981	+0.63%	+2.24%	+2.97%	+7.66%	+6.09%
CAC 40	8,048	+0.98%	+2.55%	+1.91%	-0.77%	-1.25%
FTSE 100	10,761	+0.29%	-0.06%	+2.86%	+10.93%	+8.36%
DJ Stoxx 50	6,176	+0.73%	+0.98%	-1.00%	+8.75%	+6.64%
FTSE MIB Index	49,948	+0.90%	+1.55%	-1.06%	+15.56%	+11.13%
SMI Index	14,803	-0.05%	+1.81%	+8.36%	+20.98%	+11.57%
MENA						
Abu Dhabi – ADX	9,491	+0.26%	-1.56%	-4.84%	-5.32%	-5.02%
Dubai – DFM	5,808	+0.64%	+0.98%	-1.58%	-3.51%	-3.96%
Saudi Arabia	10,946	+11.26%	+12.13%	+5.32%	-4.68%	+4.34%
Bahrain	1,814	-0.29%	-1.73%	-4.77%	-12.74%	-12.24%
Kuwait (Premier Market)	8,790	-0.41%	-1.68%	-3.55%	-7.68%	-7.46%
Oman	7,262	-0.42%	-1.30%	-4.43%	+27.97%	+23.78%
Egypt	48,403	-0.70%	-0.03%	-8.77%	+25.32%	+15.72%
Turkey	10,962	+1.88%	-1.71%	-10.66%	-0.89%	-2.66%

Source: Bloomberg

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