Market Insights & Strategy

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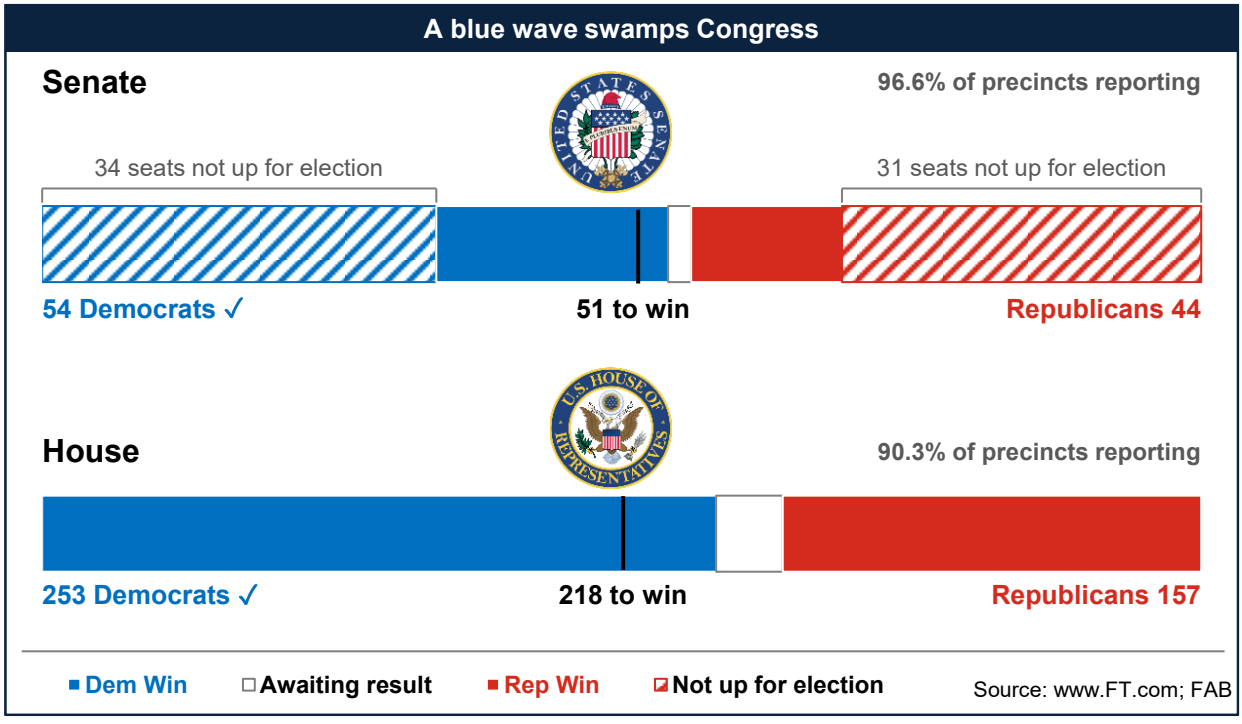
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Chief Economist

Daily Market Chatter

Macro Strategy View: Faltering Friday

- **Geopolitics keep global sentiment on edge**
- **'Blue wave' is early test of AI investment narrative**
- **Tech selloff biggest in a year; are we there yet?**
- **NFP today is latest barometer reading for FOMC**

➢ Despite the clear message from the U.S. electorate in Tuesday's midterm elections, and the implied collapse in support for U.S. President Trump and his administration, global market sentiment is on the back foot once again this morning as Trump and his foot soldiers maintain their belligerent geopolitical posturing. Indeed, press reports suggest that the Trump administration – or at least Trump himself along with Secretary of Defence Hesgeth – are drawing up plans for a near-term resumption of major combat operations in Iran. What is worrying for the wider market though is that Tehran's unsurprising celebration this week of Republican midterm setbacks threatens to complicate diplomatic efforts.

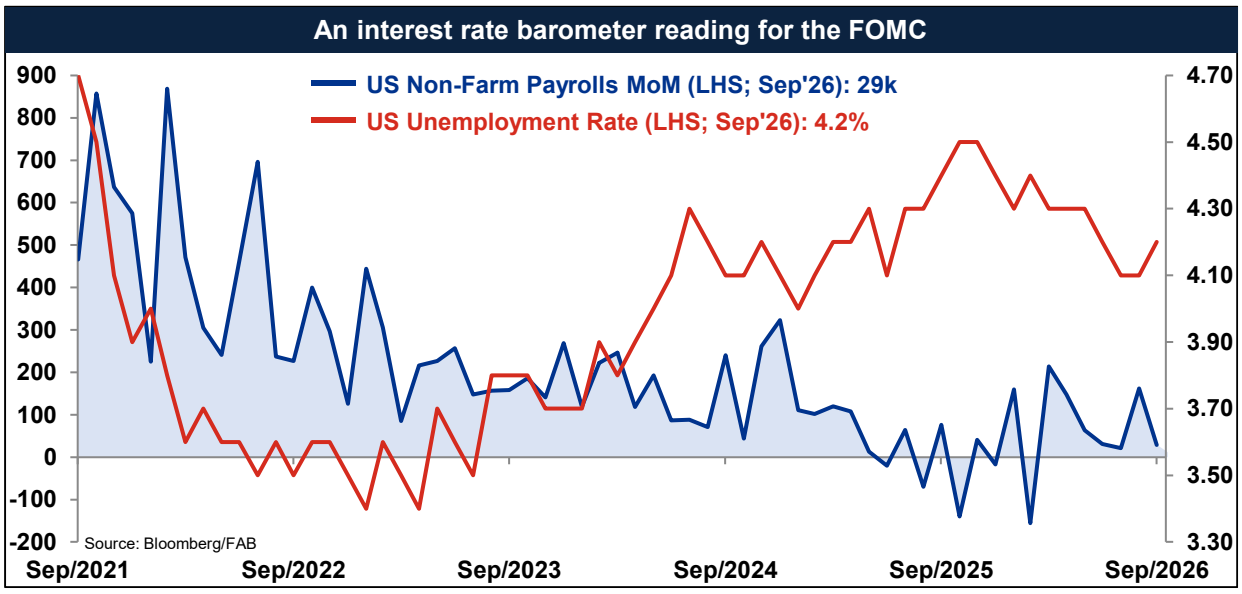


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- The wider risk market selloff that we are seeing across the global arena this morning though appears to be largely attributable to a degree of rapid deflation of the AI bubble, the foundations of which are rooted in fears that the Democrats' victory in this week's midterm elections will kill investment in the sector. Indeed, a veil of caution is now quickly developing amid concerns that the Democrats taking control of the House and Senate could lead to tighter AI (and other tech sector) regulations and litigation. Moreover, a Democrat-led Congress is seen as creating tighter legislative conditions for (private) industry as a whole. Combined with the geopolitical dynamics, this week appears set to end on a very fragile base.
- Taking all of the above into consideration, it is understandable that global financial markets have been buffeted and whipsawed this week. Initially risk asset sentiment was buoyed – in the wake of the midterms – by hopes that the Democratic sweep of Congress would hasten an end to the Iran war. Subsequently though, such optimism has been overwhelmed by fears of tighter regulation of AI sector and the data centre investment narrative. The latter is perhaps no better highlighted than by the U.S. Philadelphia Semiconductor Index that has plunged more than 20% this week, putting it on track for one of its worst weekly performances in recent history.
- U.S. markets closed sharply lower overnight, with the S&P500 plunging 4.36% and the DJIA shredding almost 3.5%. Asian bourses are following a similar direction in early trading this morning; the Nikkei is down 6.23% at the time of writing (09.313 GST) – for its biggest downward move in over a year – and the tech-sensitive KODAQ and KOSPI indices in Korea are down 3.72% and 4.98% respectively; the KOSPI having been down by as much as 8.8% initially this morning.
- The extent and velocity of this overnight selloff has triggered a series of circuit breakers across the region. Authorities in Asia are reported to have taken steps to counter the declines, including South Korea that has temporarily waived a rule requiring brokerages to maintain collateral. Elsewhere, Taiwan's Financial Supervisory Commission was said to be expected to announce its own stabilization measures.

Data distraction

- Elsewhere, there will be a welcome market distraction later today in the form of the all-important October U.S. labor market (nonfarm payrolls) report. The data will provide us – and the Federal Reserve – with the latest barometer reading on the state of the U.S. labor market. This will feed directly into the FOMC's rate discussion at the next (December 9) and subsequent monetary policy meetings.



- Consensus is looking for a pickup to 70k jobs created in October, up from 29k in September. At the same time the unemployment rate is seen holding steady at 4.2%. We will also be analysing closely the latest average hourly earnings (AHE) figures for any signs of wage-push inflation (or deflation) and the implications for monetary policy in the months ahead. Average hourly earnings are forecast to have accelerated slightly last month to +0.3% MoM, from +0.1% MoM in September, but with the annual rate slipping back to +2.9% YoY from +3.0% YoY in the prior month. The data is scheduled for release at 17.30 GST today. Happy Friday folks!

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Major Rates &FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	4.605%	-8.2	-13.9	-43.0	+92.4	+87.9
10Y	4.837%	-5.2	-10.2	-44.4	+75.3	+66.8
30Y	5.256%	-2.2	-4.5	-40.4	+57.5	+41.1

Source: Bloomberg

US$ SOFR OIS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	432.0	-9.4	-14.5	-43.8	95.4	85.6
10Y	444.1	-6.4	-11.7	-45.2	79.6	63.8
30Y	459.9	-3.7	-6.8	-40.4	66.2	43.1

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1219	-0.08%	0.35%	-0.36%	-2.84%	-4.49%
GBP USD	1.345	-0.16%	0.55%	1.31%	2.38%	-0.19%
USD JPY	157.7	-0.46%	-0.01%	-0.25%	3.03%	0.63%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	50.1044	+0.16%	+0.43%	+1.88%	+18.98%	+16.64%
USD INR	94.4750	-0.18%	-0.82%	-2.02%	+6.60%	+5.12%
USD IDR	18,082.00	-0.46%	-0.28%	+1.02%	+8.31%	+8.34%

Source: Bloomberg

MENA Credits

Index Spreads	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
EM Sovs Hard Ccy	211.7	+6.8	+13.4	+29.4	+14.1	+28.5
EM Agg Hard Ccy	202.3	+5.3	+10.7	+28.9	+17.5	+21.6
GCC: IG+HY	132.5	+1.2	+5.1	+20.3	+49.0	+37.3

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	36.0	+0.4	+0.1	-1.4	+7.6	+8.6
Kuwait 5Y	55.0	-1.5	-6.6	-4.7	+7.2	+7.5
KSA 5Y	69.2	-0.3	-0.5	+0.4	+6.0	+2.2
Dubai 5Y	63.0	-0.6	-1.6	-5.7	+12.3	+16.9
Oman 5Y	77.2	+0.0	-4.0	-8.5	+8.5	+6.8
Bahrain 5Y	307.0	-4.3	-5.2	-42.6	+139.6	+123.2
Egypt 5Y	323.7	+1.8	-14.8	+1.7	-11.8	+52.9

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil $/bbl	90.52	+2.72%	-11.25%	+1.21%	+52.31%	+57.65%
Brent Oil $/bbl	98.29	+3.88%	-14.44%	-2.28%	+55.08%	+61.53%
Gold spot $/oz	4,088.0	+0.67%	+1.65%	-1.83%	+2.79%	-5.36%
Silver spot $/Troy oz	51.780	-0.85%	-0.72%	-15.58%	+7.80%	-27.75%
Aluminium 3MO $	3,064.0	+0.56%	-0.47%	-2.01%	+7.51%	+2.29%
Nickel 3MO $	16,322	+3.44%	+5.06%	+3.87%	+8.56%	-1.95%
Copper 3MO $	13,844	-1.20%	-3.57%	-4.00%	+29.41%	+11.43%

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Major Equities Markets

Major Stock Markets	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	51,523	-3.44%	-1.57%	+0.00%	+9.83%	+7.20%
S&P 500	7,354	-4.36%	-4.75%	-5.95%	+9.43%	+7.42%
Nasdaq Composite	24,315	-5.52%	-7.14%	-11.90%	+5.47%	+4.62%
Nikkei	61,078	-6.06%	-5.54%	-13.59%	+20.03%	+21.33%
Hang Seng	24,797	+3.67%	+8.01%	+2.13%	-6.38%	-3.25%
Shanghai	3,690	-4.47%	+1.05%	-3.96%	-7.93%	-7.03%
Mumbai Sensex	79,310	+2.60%	+6.96%	+8.54%	-4.80%	-6.94%
DAX	26,325	-0.43%	+1.10%	+3.44%	+10.92%	+7.49%
CAC 40	8,205	+0.34%	+2.95%	+4.33%	+3.02%	+0.69%
FTSE 100	10,783	-0.43%	+0.57%	+2.29%	+10.75%	+8.57%
DJ Stoxx 50	6,232	-0.55%	+0.39%	-0.65%	+11.06%	+7.60%
FTSE MIB Index	50,506	-1.03%	+1.01%	-1.47%	+17.27%	+12.37%
SMI Index	14,968	-0.37%	+1.43%	+8.55%	+21.70%	+12.82%
MENA						
Abu Dhabi – ADX	9,520	+0.62%	+0.44%	-4.74%	-5.03%	-4.73%
Dubai – DFM	6,043	+0.03%	+3.87%	+2.29%	+0.35%	-0.07%
Saudi Arabia	10,946	+9.04%	+10.33%	+5.49%	-3.15%	+4.34%
Bahrain	1,816	-0.08%	-0.78%	-4.21%	-12.37%	-12.14%
Kuwait (Premier Market)	8,993	+0.83%	+1.13%	-0.44%	-4.96%	-5.32%
Oman	7,276	+0.21%	-0.95%	-7.10%	+31.24%	+24.03%
Egypt	51,153	+0.99%	+3.14%	-3.97%	+28.04%	+22.29%
Turkey	11,333	-1.26%	+1.50%	-8.41%	+2.35%	+0.64%

Source: Bloomberg

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