Market Insights & Strategy

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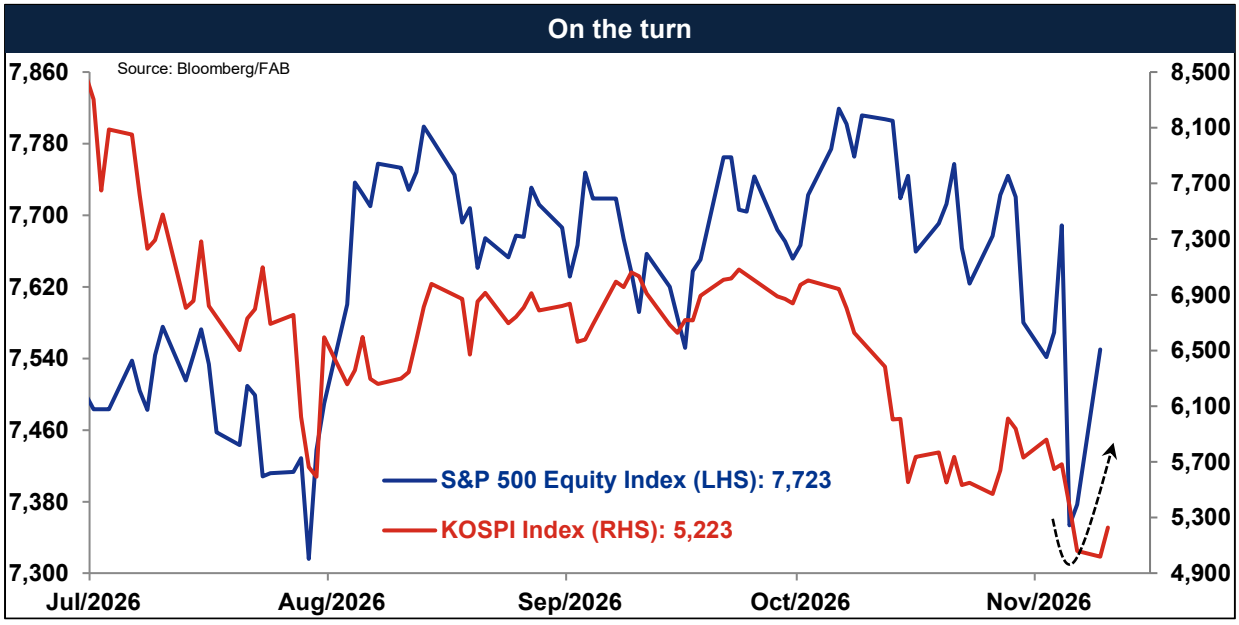
Simon Ballard
Chief Economist

Daily Market Chatter

Macro Strategy View: On the bounce

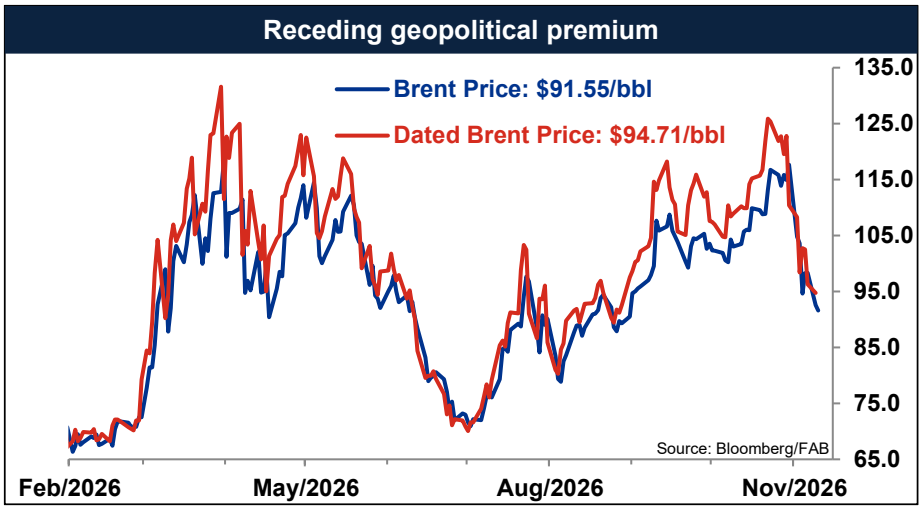
- **Constructive, but not yet outright bullish**
- **Tech sector attempts to recoup losses**
- **Hawkish macro bias may not mean hikes**
- **We believe 'neutral duration' is the way to be**
- **UAE risk burnished by relative value allure**

➢ Global markets begin Tuesday with a somewhat more constructive risk tone, but the improvement in sentiment should not be confused with a shift to an outright bullish risk stance. Yes, we are seeing a modest recovery in sentiment toward the tech sector – after its earlier weakness – but investor anxiety and uncertainty remains elevated. This being said, credit markets are largely a sea of green this morning after U.S. equities closed sharply higher overnight, with the S&P 500 gaining 2.35%. Korean bourses are outperforming, understandably, this morning with the KOSDAQ and the KOSPI both up by more than 4% at the time of writing.

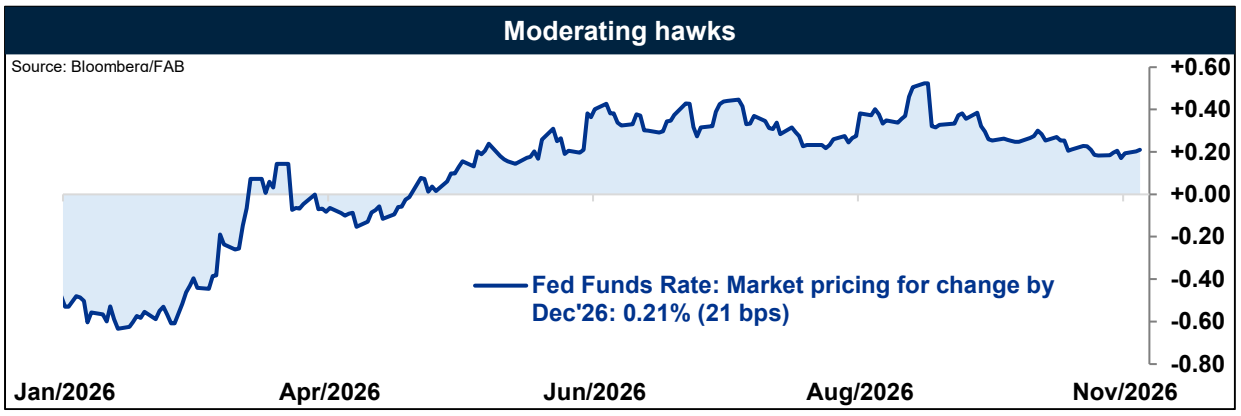


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- The dominant macro narrative remains the tension between resilient US growth, persistent inflation and elevated interest rates, while the easing of the Middle East geopolitical risk premium is producing a sharp adjustment in energy markets, with Brent crude now sitting in sub-$92/bbl territory, down from a recent high of over $113/bbl at the end of last month.



- U.S. labour-market resilience – albeit with some recent signs of softness – has reinforced the hawkish rates narrative. Last week's release of October nonfarm payrolls data painted a healthy picture with jobs growth coming in at +165,000 and the unemployment rate ticking down to 4.1%, from 4.2% previously. As a result, the fed funds futures market now prices in 21bps of tightening at the December (9th) FOMC meeting, implying an 84% probability of an additional hike before year-end. Such expectations should keep the front end of the Treasury curve under some pressure and limit the extent of any sustained rally in duration.



- Indeed, we have seen investors shift from earlier positioning in which they were aggressively bearish duration, toward a more neutral stance, and we continue to believe that this is the right way to be. Given the balance of risks, we see little justification for an outright bullish approach to duration at this stage.
- From a risk perspective, we would conjecture that market bias today should remain cautiously constructive, but with a preference for quality and earnings visibility rather than blatantly chasing higher-beta assets. The combination of resilient economic activity and tighter-for-longer (net restrictive) monetary policy seems set to create challenging conditions going forward for highly rate-sensitive sectors.
- Closer to home, we see a more delicate macro balance. On the one hand while a decline in the oil price – less implied inflation risk – is globally risk positive, on the other hand we would say that the impact of a lower oil price is more ambiguous from a GCC regional perspective. The UAE looks relatively well placed in this regard, because of its strong sovereign balance sheet, diversified economy, low fiscal breakeven oil price, and continuing investment in the capex supercycle. In comparison, we acknowledge that Saudi Arabia's underlying non-oil story also remains constructive, but are cognisant that its near-term fiscal constraints and market sensitivity to crude are materially greater.
- Overall, we would advocate maintaining cautiously risk-on bias today, as opposed to being outright bullish. This in turn should favour UAE risk from a relative value perspective, with the allure of quality GCC carry, while staying disciplined on duration, and keeping a close eye on the evolving and fragile geopolitical situation.

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Major Rates &FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	4.678%	+3.2	-3.2	-33.9	+96.4	+95.2
10Y	4.884%	+2.6	-3.0	-35.6	+76.7	+71.5
30Y	5.280%	+1.3	-0.7	-31.7	+57.4	+43.5

Source: Bloomberg

US$ SOFR OIS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	439.3	3.3	-3.9	-33.7	98.7	93.0
10Y	448.9	2.9	-3.8	-35.3	80.8	68.7
30Y	462.1	1.8	-2.1	-31.1	65.0	45.4

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1223	0.72%	0.32%	0.61%	-2.89%	-4.45%
GBP USD	1.3442	0.67%	0.27%	1.77%	2.03%	-0.24%
USD JPY	157.91	-0.36%	-0.02%	-0.44%	2.44%	0.77%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	50.1798	+0.06%	+0.40%	+1.79%	+18.81%	+16.82%
USD INR	93.9362	-0.57%	-1.02%	-2.89%	+5.90%	+4.52%
USD IDR	18,085.00	-0.14%	-0.36%	+1.02%	+8.59%	+8.36%

Source: Bloomberg

MENA Credits

Index Spreads	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
EM Sovs Hard Ccy	210.3	-1.4	+5.0	+23.4	+7.8	+27.2
EM Agg Hard Ccy	200.8	-1.5	+3.4	+24.2	+11.6	+20.0
GCC: IG+HY	129.2	-3.3	-3.8	+12.5	+40.4	+34.0

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	34.4	-2.1	-3.3	-2.0	+6.2	+7.1
Kuwait 5Y	56.2	+0.3	-1.4	-4.5	+6.5	+8.8
KSA 5Y	67.3	-2.9	-4.1	+0.2	+4.0	+0.2
Dubai 5Y	61.3	-1.9	-2.9	-1.1	+11.3	+15.2
Oman 5Y	74.5	-3.5	-6.1	-8.5	+7.3	+4.1
Bahrain 5Y	301.0	-8.6	-17.2	-59.9	+132.6	+117.3
Egypt 5Y	313.6	-10.3	-24.0	+4.3	-16.5	+42.7

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil $/bbl	86.85	-4.38%	-9.96%	-5.44%	+44.44%	+51.25%
Brent Oil $/bbl	92.57	-5.85%	-11.64%	-11.60%	+44.51%	+52.13%
Gold spot $/oz	4,139.8	+1.70%	+4.90%	-0.78%	+0.58%	-4.16%
Silver spot $/Troy oz	53.418	+2.89%	+5.50%	-11.35%	+5.76%	-25.46%
Aluminium 3MO $	3,066.5	+0.13%	-0.89%	+0.59%	+7.67%	+2.37%
Nickel 3MO $	16,225	-0.78%	+4.30%	+3.86%	+7.74%	-2.53%
Copper 3MO $	13,897	+0.93%	-3.13%	-4.43%	+29.67%	+11.86%

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Major Equities Markets

Major Stock Markets	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	52,390	+2.15%	+0.78%	+1.42%	+10.60%	+9.00%
S&P 500	7,550	+2.35%	+0.11%	-3.35%	+10.50%	+10.29%
Nasdaq Composite	25,253	+2.74%	+0.35%	-7.72%	+7.34%	+8.65%
Nikkei	58,776	-9.60%	-6.83%	-14.86%	+15.45%	+16.76%
Hang Seng	24,449	-0.13%	+4.51%	+0.98%	-8.26%	-4.61%
Shanghai	3,661	-5.22%	+0.63%	-4.01%	-8.90%	-7.76%
Mumbai Sensex	81,107	+0.10%	+7.15%	+11.91%	-3.30%	-4.83%
DAX	26,267	+1.73%	+1.10%	+4.70%	+9.63%	+7.26%
CAC 40	8,233	+1.16%	+2.31%	+5.51%	+2.21%	+1.03%
FTSE 100	10,783	+1.02%	+0.20%	+2.19%	+10.17%	+8.57%
DJ Stoxx 50	6,290	+1.94%	+1.85%	+1.90%	+11.05%	+8.62%
FTSE MIB Index	51,400	+2.69%	+2.91%	+3.32%	+17.10%	+14.36%
SMI Index	14,946	+1.01%	+0.97%	+8.40%	+20.00%	+12.65%
MENA						
Abu Dhabi – ADX	9,483	+0.96%	-0.08%	-3.19%	-5.36%	-5.10%
Dubai – DFM	6,087	+1.03%	+4.81%	+4.62%	+1.33%	+0.67%
Saudi Arabia	10,946	+9.28%	+10.76%	+5.49%	-2.65%	+4.34%
Bahrain	1,822	+0.01%	+0.44%	-3.90%	-12.32%	-11.85%
Kuwait (Premier Market)	8,967	+0.23%	+2.01%	-0.73%	-4.95%	-5.60%
Oman	7,234	-0.42%	-0.39%	-7.64%	+27.73%	+23.30%
Egypt	51,415	+1.19%	+6.22%	-3.47%	+27.18%	+22.92%
Turkey	11,713	+2.00%	+6.85%	-4.51%	+8.56%	+4.01%

Source: Bloomberg

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