Market Insights & Strategy

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Simon Ballard
Chief Economist

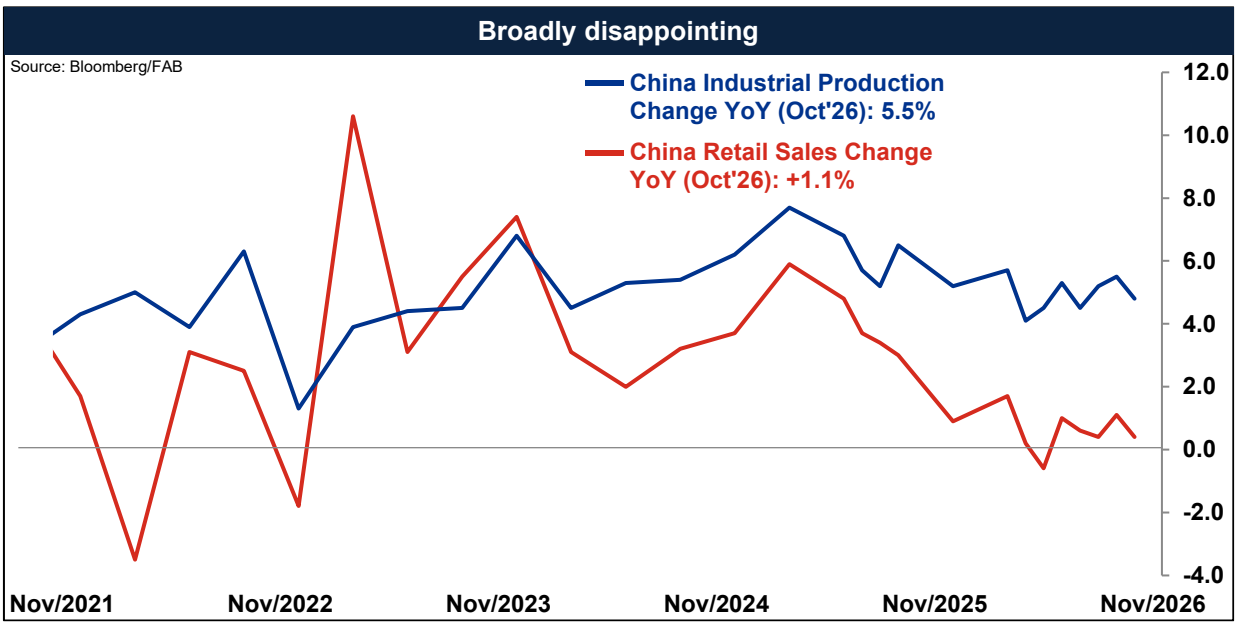
Daily Market Chatter

Macro Strategy View: Happy Monday, or is it?

- **China macro data shows further disappointment**
- **Challenges of transition from investment to consumption**
- **U.S. key macro data points compounded with Fed talk**
- **FOMC minutes could be market moving later in the week**

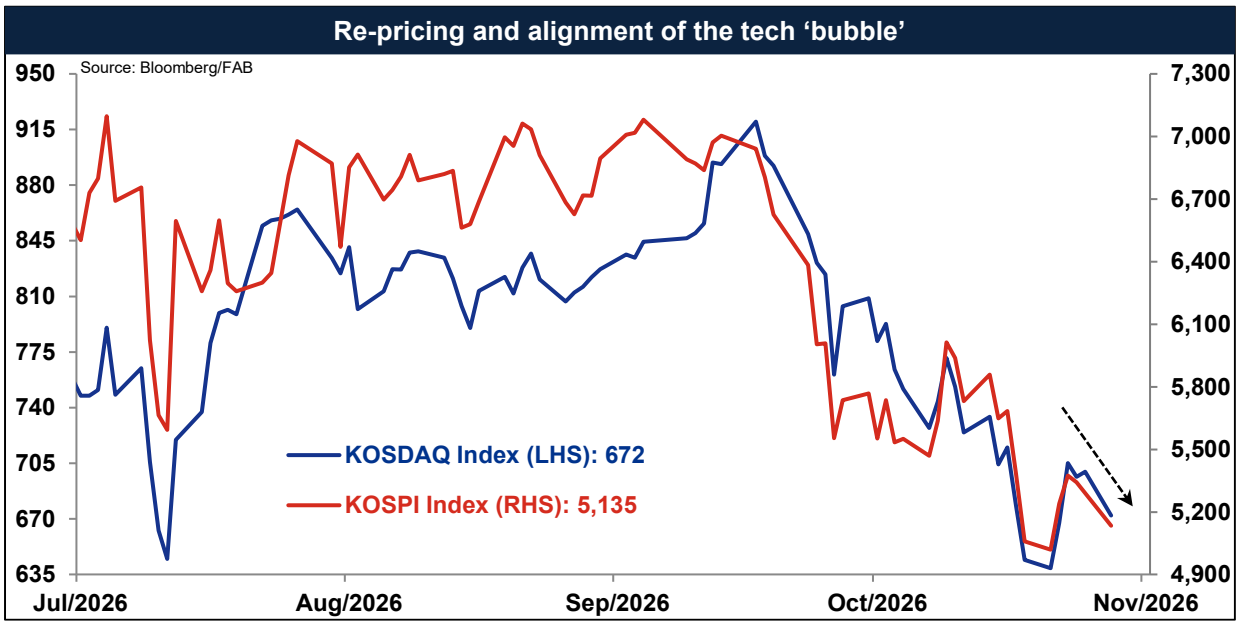
➢ The early spotlight is on China this morning and, in particular, on the disappointing nature and weak tone of the latest macro activity data from the country. Industrial production in October slowed to 4.8% y/y versus earlier consensus expectations of a 5.3% YoY growth rate. Moreover, the October figure was down, worryingly, from the +5.5% YoY growth print in September.

➢ Elsewhere the performance of China's retail sales in October was also concerning, which will draw fresh uncertainty about the economy's aspirational ability to transition from an investment-driven economy to a consumption-driven economy. Indeed, China's retail sales came in at only +0.4% YoY versus consensus expectations of +0.8% YoY growth, and down sharply from the +1.1% YoY expansion seen in the previous month.



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- Finally, China fixed-asset investment contracted by -8.1% YoY last month. Consensus had been looking for a more modest contraction of just -7.0% YoY, compared to the -7.2% YoY print in September. This said, there was some slightly more optimistic news in the form of the latest China unemployment data. China's urban surveyed unemployment rate came in at 5.1% in October, 0.1% lower than in the prior month, according to this morning's data release from China's National Bureau of Statistics. The unemployment rate in 31 major cities also stood at 5.1%, according to the report.
- The softer China macro picture is weighing on regional bourses, and credit markets this morning with the CSI 300 index indicated some 0.6% lower on the day at the time of writing. With the tech sector under some pressure this morning, the Nikkei is currently seen in the context of almost 2% lower on the day, while the (Korean) KOSPI and KOSDAQ are indicated 2.60% and 3.33% lower respectively.
- Perhaps more broadly, the picture of relative macro softness emanating out of China this morning also raises the spectre of whether softening activity outside the U.S. becomes pronounced enough to reinforce monetary easing expectations without triggering a broader growth scare. For time being the fed funds futures market continues to price in a further (anti-inflation) rate tightening move at the December FOMC meeting (and then an additional 2 hikes priced in by June next year). As discussed previously, we continue to believe that such tightening expectations should be scaled back over the coming months as inflationary pressures recede naturally with (hopefully) conflict resolution and as central banks recognise the risk of fuelling stagflationary conditions with monetary policy proving to be a blunt tool in the face of geopolitically driven price pressures.

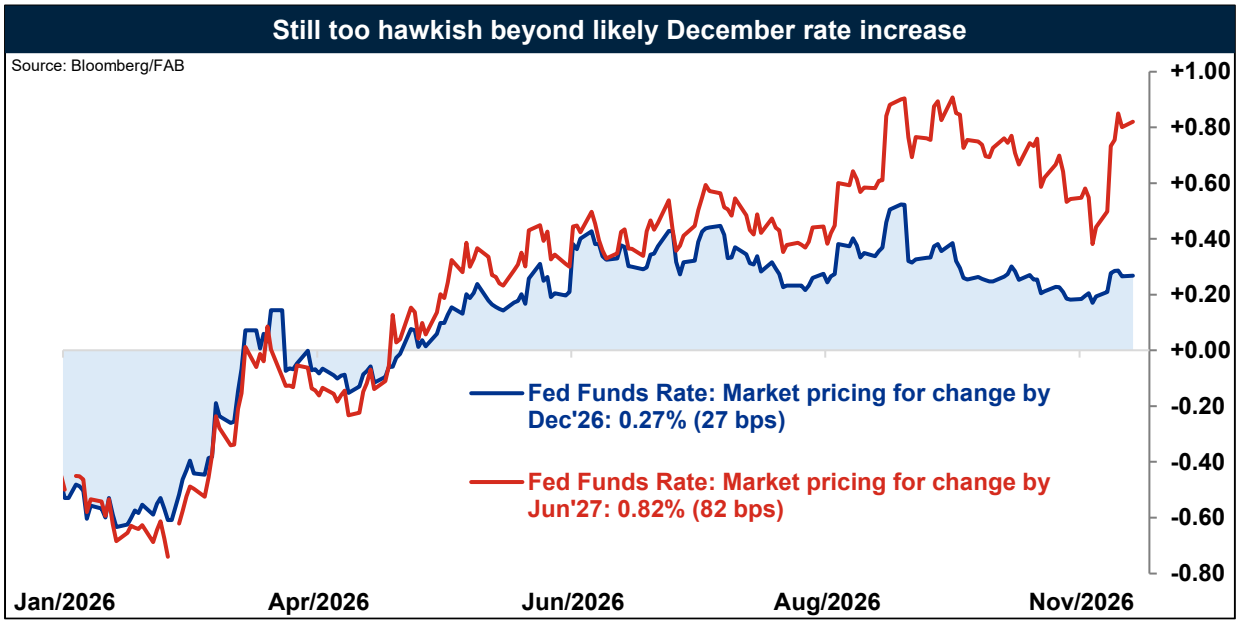


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U.S. macro data points this week

- For U.S. markets our attention will be on a number of key macroeconomic releases, starting today with the latest (November) Empire Manufacturing report, consensus for which is to see a decline to 18.0 from 25.5 in October. There will also be a cluster of Federal Reserve speakers during the week, including New York Fed President John Williams who is scheduled to give the opening remarks at the New York Fed's 2026 FX Market Structure Conference. Then, as far as broader Fed narrative is concerned, we would conjecture that the release of the FOMC's latest (October 28) meeting minutes on Wednesday evening (23.00 GST) could prove to be market moving in the latter half of the week.



- As far as the U.S. macro evolves therefore, if the upcoming (October/November) data remains relatively resilient, we would expect the macro mix to favour continued U.S. exceptionalism, relative USD support, and persistent upward pressure on U.S. yields versus Europe/UK. Conversely, clear U.S. weakness would test the U.S. resilience rhetoric and shift market pricing in a more dovish direction. In turn this would be expected to fuel a shift toward lower front-end Treasury yields, a softer USD and potentially better conditions for EM/GCC fixed income, although the latter benefit to GCC risk assets could be offset somewhat if weaker global growth simultaneously pulls oil prices lower. Good luck and have a great week folks! SB

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Major Rates &FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	4.962%	-0.9	+31.6	+9.3	+123.0	+123.6
10Y	5.137%	+0.8	+27.9	+6.2	+98.8	+96.8
30Y	5.468%	+1.3	+20.1	+4.5	+71.9	+62.3

Source: Bloomberg

US$ SOFR OIS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	468.3	-0.6	32.2	9.2	126.8	121.9
10Y	475.0	1.2	29.0	6.1	105.0	94.8
30Y	483.5	2.6	23.2	4.4	83.1	66.8

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1023	-0.29%	-1.08%	-1.92%	-4.91%	-6.16%
GBP USD	1.3214	-0.16%	-1.03%	-0.85%	0.44%	-1.94%
USD JPY	159.71	-0.08%	0.78%	1.07%	2.87%	1.91%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	50.3598	+0.10%	+0.42%	+1.69%	+19.02%	+17.24%
USD INR	94.2487	+0.59%	+0.35%	-1.09%	+6.30%	+4.86%
USD IDR	18,195.00	-0.20%	+0.46%	+1.02%	+8.76%	+9.02%

Source: Bloomberg

MENA Credits

Index Spreads	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
EM Sovs Hard Ccy	196.9	+3.6	-13.4	+10.3	-1.7	+13.7
EM Agg Hard Ccy	187.0	+2.6	-13.8	+9.9	+0.5	+6.3
GCC: IG+HY	114.1	+3.5	-15.1	-5.6	+26.4	+18.9

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	34.6	+0.2	-1.8	-2.9	+5.6	+7.3
Kuwait 5Y	55.4	+1.0	-0.5	-4.8	+8.0	+8.0
KSA 5Y	66.3	+0.5	-3.9	-2.9	+1.4	-0.8
Dubai 5Y	59.8	+0.5	-3.4	-4.6	+9.2	+13.7
Oman 5Y	72.7	+0.2	-5.3	-9.4	+3.4	+2.3
Bahrain 5Y	286.1	+1.9	-23.4	-59.3	+112.8	+102.4
Egypt 5Y	311.8	+4.6	-12.1	-7.6	-19.3	+40.9

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil $/bbl	88.56	-0.20%	-2.50%	-12.67%	+47.38%	+54.23%
Brent Oil $/bbl	95.84	+0.02%	-2.52%	-12.76%	+48.84%	+57.50%
Gold spot $/oz	3,884.5	+0.19%	-4.58%	-6.75%	-3.97%	-10.07%
Silver spot $/Troy oz	48.745	-2.55%	-6.11%	-14.47%	-2.94%	-31.98%
Aluminium 3MO $	3,010.0	-0.68%	-1.71%	-0.95%	+3.92%	+0.48%
Nickel 3MO $	15,985	-1.49%	-2.25%	+2.55%	+6.70%	-3.97%
Copper 3MO $	13,399	-1.39%	-2.68%	-8.09%	+22.30%	+7.86%

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Major Equities Markets

Major Stock Markets	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	52,348	+0.10%	+2.07%	+0.66%	+11.03%	+8.91%
S&P 500	7,562	-0.40%	+2.51%	-1.28%	+12.29%	+10.46%
Nasdaq Composite	25,136	-0.91%	+2.27%	-3.84%	+9.76%	+8.15%
Nikkei	61,142	-5.96%	+6.46%	-6.40%	+21.37%	+21.46%
Hang Seng	23,638	-1.55%	-3.45%	-2.27%	-11.04%	-7.78%
Shanghai	3,634	-5.91%	-0.41%	-2.20%	-8.92%	-8.43%
Mumbai Sensex	81,592	-0.39%	+0.70%	+9.18%	-3.51%	-4.26%
DAX	26,750	-0.08%	+3.60%	+4.40%	+12.03%	+9.23%
CAC 40	8,369	+0.09%	+2.82%	+5.18%	+2.43%	+2.69%
FTSE 100	10,903	+0.36%	+2.14%	+0.19%	+12.42%	+9.78%
DJ Stoxx 50	6,387	-0.19%	+3.51%	+2.94%	+12.17%	+10.28%
FTSE MIB Index	51,859	+0.10%	+3.61%	+4.01%	+17.87%	+15.38%
SMI Index	15,106	-0.29%	+2.09%	+4.97%	+19.56%	+13.86%
MENA						
Abu Dhabi – ADX	9,667	-0.60%	+2.93%	-1.44%	-2.53%	-3.26%
Dubai – DFM	6,198	-0.59%	+2.86%	+5.63%	+4.17%	+2.49%
Saudi Arabia	10,946	+6.00%	+9.28%	+8.31%	-0.96%	+4.34%
Bahrain	1,821	-0.40%	-0.03%	-2.94%	-11.68%	-11.89%
Kuwait (Premier Market)	8,991	-0.29%	+0.50%	+1.12%	-4.17%	-5.34%
Oman	7,347	-0.10%	+1.15%	-4.31%	+29.82%	+25.24%
Egypt	52,187	+0.31%	+2.71%	-0.16%	+26.63%	+24.76%
Turkey	11,843	+0.27%	+3.14%	+1.03%	+12.09%	+5.16%

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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