Market Insights & Strategy

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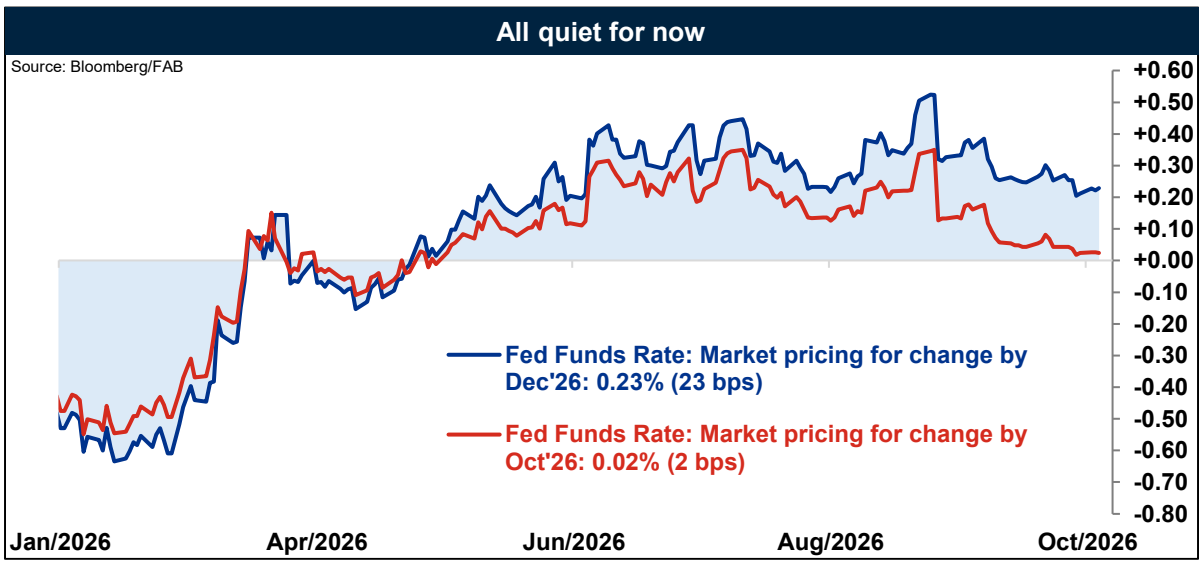
Simon Ballard
Chief Economist

Daily Market Chatter

Macro Strategy View: Too close to call

- **Netanyahu and Eisenkot seen neck-and-neck**
- **Calls for incumbent to step down, regardless of final result**
- **FOMC words should speak louder than action**
- **A lot of earnings optimism baked into valuations**
- **Oil higher on renewed miliary campaign concerns**

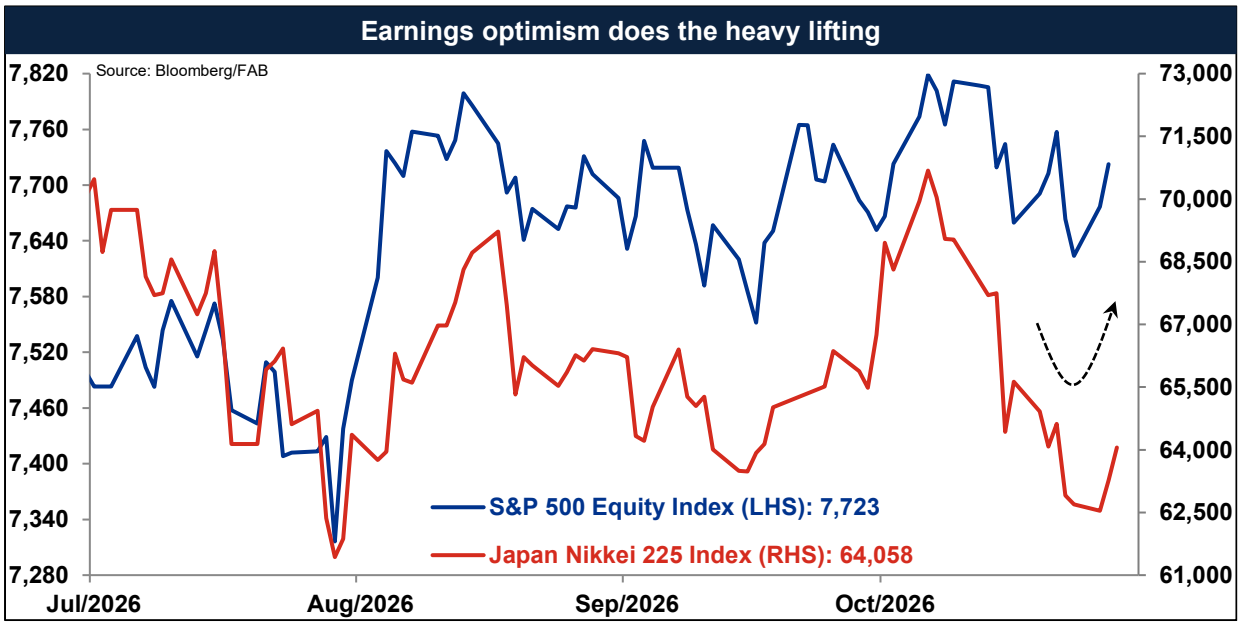
➢ We would expect a fairly muted start to global markets activity today with investor focus being pulled in two directions. On the one hand all eyes are on the developing results picture from yesterday's Israeli general election. On the other, the market is waiting patiently for the latest FOMC rates decision, which is due at 10pm GST today. The Fed should be the more clear-cut and least controversial of the two events.



➢ With less than 3bps of tightening priced into the fed funds futures market for this current FOMC monetary policy meeting – an implied 9% probability of a 25bp rate increase – anything other than a 'hold' announcement by the Fed would be a seismic surprise. Once again, it should all be about what the Fed says on this occasion, not what it does. We will be analysing every word of the accompanying statement and press conference for hints on the likely direction of (rates) travel going into the December FOMC meeting and the Fed's latest assessment of the economic balance between inflation and growth.

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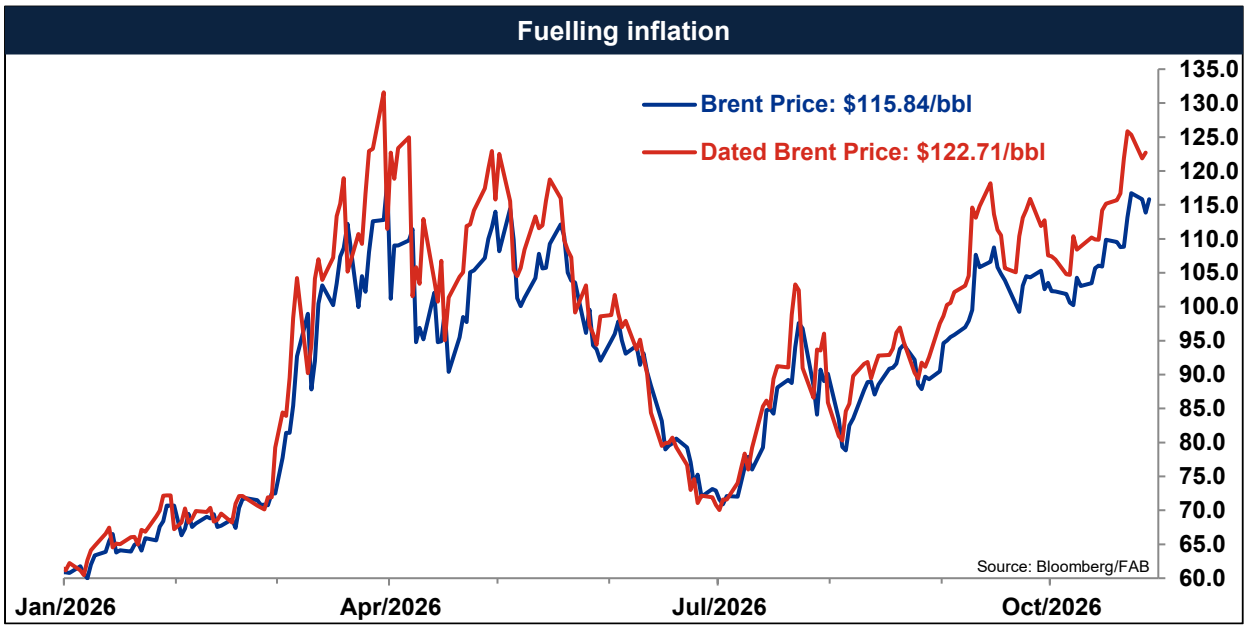
- On the Israeli political front, according to two Israeli media outlets, and as reported by the BBC, opposition candidate Eisenkot and his Yashar party – together with three other Jewish opposition parties in his "Change Bloc" – could be on course to win 51 seats in the 120-seat Knesset. The sticking block, however, is that incumbent prime minister Netanyahu's Likud party, in coalition with its far-right and ultra-Orthodox Jewish allies, is currently forecast to win a similar number of seats. Another broadcaster's poll gave Netanyahu a lead of three seats.
- As such the result is seen as too close to call. Moreover, given the apparent closeness of the vote, and the apparent inability of the incumbent to secure a meaningful margin of victory, there are already calls for Netanyahu to step down. It is clear that, contrary to his claims, he will not be able to form a strong, national, right-wing government. Such domestic – and wider, regional – political uncertainty will surely only add to market volatility and potential risk aversion in the near-term.
- As well as the Israeli elections and the Fed though, generic market sentiment is again being buoyed this morning by optimism toward the evolving Q3 corporate earnings season. Alphabet and Microsoft will report later today and Amazon is set to report tomorrow. Corporate results are being watched closely for hints on the path of the AI trade and for any signs of potential weakness, or at least correction in the sector's valuation bubble.



- U.S. equities closed higher overnight on this earnings optimism, with the S&P500 up 0.60% by the close, albeit just off the session high. Asian bourses are edging higher on the follow, as are US and European stock futures.

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- Closer to home, oil is pushing higher this morning on heightened geopolitical concerns and fears of renewed military activity across the Gulf. This comes after reports that the U.S. has told several Gulf countries to be prepared for a short, intense military campaign against Iran once the U.S. midterm elections are over. Although Brent crude is quoted 1.5% higher at the time of writing, in the context of $115.50/bl, and ***although higher oil prices are a fiscal positive for oil producing nations, it is clear that renewed military activity in the Gulf region would be a significant negative for the regional macroeconomic sentiment and outlook***. Watch this space.

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Major Rates &FX Pairs

UST Yield	Prev day Close	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	4.845%	+0.1	-8.5	-22.6	+123.5	+111.9
10Y	4.999%	+1.0	-11.2	-23.8	+102.2	+83.0
30Y	5.312%	+0.8	-10.9	-23.6	+77.1	+46.7

Source: Bloomberg

US$ SOFR OIS	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
5Y	455.9	2.1	-9.2	-24.1	127.3	109.5
10Y	460.8	1.4	-11.7	-25.3	105.8	80.5
30Y	467.0	1.0	-12.5	-22.0	84.2	50.3

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
EUR USD	1.1125	-0.44%	-1.00%	-2.16%	-4.51%	-5.29%
GBP USD	1.3306	-0.27%	-0.55%	0.38%	0.26%	-1.25%
USD JPY	157.95	0.29%	-0.14%	0.36%	3.84%	0.79%

Source: Bloomberg

Currency Cross	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
USD TRY	49.8116	+0.12%	+0.50%	+1.69%	+18.78%	+15.96%
USD INR	95.1200	-0.08%	+0.20%	-0.90%	+7.76%	+5.83%
USD IDR	18,153.00	+0.16%	+0.92%	+0.99%	+9.32%	+8.77%

Source: Bloomberg

MENA Credits

Index Spreads	Prev day Close (bps)	Change (basis points)				
		1D	1W	1M	1YR	YTD
EM Sovs Hard Ccy	202.3	-4.1	+7.5	+25.7	-2.4	+19.1
EM Agg Hard Ccy	192.6	-3.0	+8.4	+27.4	+1.8	+11.9
GCC: IG+HY	128.6	-1.4	+9.1	+20.6	+38.1	+33.4

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	38.2	-2.2	+0.5	+0.8	+10.1	+10.8
Kuwait 5Y	57.5	-2.0	-1.5	-1.6	+9.8	+10.0
KSA 5Y	72.9	-2.4	+1.0	+6.5	+10.8	+5.8
Dubai 5Y	67.8	-0.5	-0.6	+3.8	+15.7	+21.7
Oman 5Y	82.7	-0.8	-0.9	-4.7	+15.6	+12.4
Bahrain 5Y	323.8	-4.1	-28.6	+16.2	+158.8	+140.0
Egypt 5Y	354.6	-8.2	+18.2	+49.3	+24.3	+83.7

Source: Bloomberg

Major Commodities Prices

Commodities	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
WTI Oil $/bbl	99.90	-1.83%	-1.86%	+7.88%	+66.08%	+73.98%
Brent Oil $/bbl	113.88	-1.67%	+4.68%	+8.17%	+76.83%	+87.15%
Gold spot $/oz	4,060.1	+1.08%	-1.58%	-1.35%	+2.73%	-6.00%
Silver spot $/Troy oz	54.426	+0.85%	-6.06%	-10.26%	+15.65%	-24.05%
Aluminium 3MO $	3,087.0	+1.53%	+2.81%	-5.54%	+7.39%	+3.05%
Nickel 3MO $	15,629	+0.44%	-0.21%	-4.29%	+2.32%	-6.11%
Copper 3MO $	14,475	+1.03%	+0.37%	-1.01%	+31.24%	+16.51%

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Major Equities Markets

Major Stock Markets	Prev day Close	% Change				
		1D	1W	1M	1YR	YTD
GLOBAL						
Dow Jones Inds. Avg	52,378	+0.03%	-0.23%	+1.74%	+9.79%	+8.98%
S&P 500	7,723	+0.60%	+0.13%	+0.51%	+12.07%	+12.81%
Nasdaq Composite	26,478	+1.18%	+0.20%	-1.28%	+11.12%	+13.92%
Nikkei	63,268	-2.69%	-1.26%	-3.96%	+25.98%	+25.68%
Hang Seng	23,041	-0.73%	-3.46%	-6.50%	-12.54%	-10.10%
Shanghai	3,648	-5.55%	-2.33%	-4.59%	-8.52%	-8.08%
Mumbai Sensex	73,599	-0.01%	-0.15%	+1.14%	-13.03%	-13.64%
DAX	25,591	+0.71%	+1.13%	+0.85%	+5.40%	+4.49%
CAC 40	7,887	+0.51%	+0.62%	-2.37%	-4.01%	-3.22%
FTSE 100	10,687	-0.75%	-0.43%	+0.02%	+10.21%	+7.60%
DJ Stoxx 50	6,165	+0.79%	+0.70%	-2.17%	+8.07%	+6.45%
FTSE MIB Index	49,628	+0.90%	+1.13%	-4.12%	+15.07%	+10.42%
SMI Index	14,598	+0.40%	+0.82%	+4.70%	+18.10%	+10.03%
MENA						
Abu Dhabi – ADX	9,746	+1.09%	-0.85%	-4.07%	-4.12%	-2.47%
Dubai – DFM	5,864	+1.96%	+0.51%	-2.23%	-3.38%	-3.02%
Saudi Arabia	10,946	+12.13%	+9.99%	+3.47%	-6.23%	+4.34%
Bahrain	1,840	-0.29%	-1.07%	-3.43%	-9.47%	-10.95%
Kuwait (Premier Market)	9,017	+0.86%	+2.15%	-2.42%	-4.53%	-5.07%
Oman	7,348	-0.14%	-2.73%	-3.20%	+32.96%	+25.24%
Egypt	50,105	+3.49%	-3.81%	-4.51%	+30.81%	+19.78%
Turkey	11,151	-0.01%	-5.48%	-11.45%	+2.58%	-0.98%

Source: Bloomberg

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