

Better-than-expected data drives yields higher

- ▶ US retail sales rose 0.7% m-o-m in September.
- ▶ UK wage growth fell slightly in the three months to August.
- ▶ EM equities outperformed DM equities.

Chart of the Day: 2Y UST yields highest level since 2006

US Treasury 2-year yield reaches new heights



Source: Bloomberg, and ADCB Asset Management

Macroeconomic news

- ▶ According to an advance report from the US Commerce Department released on Tuesday, US retail sales rose 0.7% m-o-m in September, well above the 0.3% Dow Jones estimate. Excluding autos, sales were up 0.6% m-o-m, also well ahead of the forecast for just 0.2%.
- ▶ UK wage growth fell slightly in the three months to August, according to official data. Average total pay was 8.1% higher over the 3-month period lower than expectations of 8.3%, and down from a growth rate of 8.5% the previous month. Wage growth excluding bonuses slowed from 7.9% to 7.8%, in line with expectations.

Rates and Fixed Income

- ▶ Yields on the 10Y UST bond, 10Y UK Gilt and the 10Y German Bund all increased over 12 bps. Yields on UST 3M bills rose as well.
- ▶ Fixed income indices fell on Tuesday with Global Corporates underperforming.

Currencies

- ▶ Broader USD was relatively unchanged.
- ▶ EUR strengthened over the USD. Both GBP and JPY weakened against the USD.

Equities

- ▶ Global equities were mixed but mostly higher. Both the S&P500 and DJIA held within a tight range on Tuesday, although the NASDAQ fell. STOXX600 fell despite FTSE100 and DAX rising. Asian stocks rose with the Nikkei225 outperforming. EM outperformed DM on the day.
- ▶ GCC stocks rose on Tuesday with the exception of Qatar. Kuwait rose close to 3%.

Commodities

- ▶ BBG Commodity index rose slightly.
- ▶ Oil prices rose on increased geopolitical risks, gold rose slightly, but copper continued to fall.

Key events in the day ahead

- ▶ Eurozone CPI
- ▶ US (Sep) Housing Starts
- ▶ Fed speech (Waller, Williams, Bowman, and Harker)

Performance snapshot*

| Rates | Latest | 1D (bp) | 1M (bp) | 3M (bp) |
|---------------------|---------|---------|---------|---------|
| SOFR | 5.31 | 0.00 | 0.00 | 26.00 |
| UAE Eibor 3m | 5.40 | 2.47 | 15.57 | 7.31 |
| UAE Eibor 12m | 5.48 | -10.85 | -11.94 | -4.32 |
| US 3m Bills | 5.49 | 0.75 | 2.06 | 9.14 |
| US 10yr Treasury | 4.83 | 12.81 | 52.73 | 104.46 |
| German 10yr Bund | 2.88 | 14.50 | 20.70 | 40.20 |
| UK 10yr Gilt | 4.51 | 12.60 | 15.40 | 8.10 |
| Fixed Income | | 1D (%) | 1M (%) | 3M (%) |
| Global Agg. Index | 432 | -0.43 | -2.33 | -5.92 |
| Global Treasuries | 186 | -0.38 | -2.23 | -6.63 |
| Global Corporate | 248 | -0.50 | -2.39 | -4.90 |
| EM USD Sovereign | 338 | -0.38 | -3.99 | -5.83 |
| EM LCY Sovereign | 136 | -0.05 | -1.99 | -4.49 |
| Global High Yield | 1,387 | -0.20 | -2.37 | -2.79 |
| Currencies | | | | |
| Dollar Index | 106.25 | 0.01 | 0.91 | 6.22 |
| EUR USD | 1.0577 | 0.16 | -1.07 | -5.80 |
| GBP USD | 1.2183 | -0.28 | -1.63 | -6.56 |
| USD JPY | 149.81 | 0.20 | -1.38 | -7.25 |
| Equities | | | | |
| S&P 500 | 4,373 | -0.01 | -1.63 | -2.93 |
| Dow Jones | 33,998 | 0.04 | -1.74 | -1.17 |
| NASDAQ | 13,534 | -0.25 | -1.24 | -4.81 |
| STOXX 600 | 450 | -0.10 | -2.52 | -1.33 |
| DAX | 15,252 | 0.09 | -4.04 | -5.08 |
| Nikkei 225 | 32,040 | 1.20 | -3.87 | -0.41 |
| FTSE 100 | 7,675 | 0.58 | -0.32 | 4.68 |
| SENSEX | 66,428 | 0.39 | -2.08 | 0.05 |
| Hang Seng | 17,773 | 0.75 | -2.22 | -7.70 |
| MSCI World | 2,889 | 0.11 | -2.30 | -3.96 |
| MSCI EM | 951 | 0.53 | -3.34 | -6.94 |
| Regional Equities | | | | |
| ADX | 9,554 | 0.79 | -3.25 | -1.02 |
| DFM | 3,937 | 0.07 | -2.34 | -1.48 |
| Tadawul | 10,731 | 1.04 | -3.33 | -7.86 |
| DSM | 10,034 | -0.12 | -2.14 | -2.40 |
| MSM30 | 4,723 | 0.19 | 0.26 | -0.65 |
| BHSE | 1,946 | 0.13 | 1.10 | 0.82 |
| KWSE | 6,823 | 2.81 | -2.68 | -5.86 |
| Commodities | | | | |
| BBG Commodity Index | 104.8 | 0.12 | -2.45 | 1.20 |
| Brent USD/bbl | 89.9 | 0.28 | -2.70 | 15.38 |
| Gold USD/t oz | 1,923.2 | 0.16 | 0.21 | -2.06 |
| Copper USD/MT | 7,846.5 | -0.56 | -6.33 | -7.26 |
| Volatility | | | | |
| VIX | 17.88 | 3.89 | 29.66 | 32.64 |
| MOVE | 130.17 | 0.01 | 34.74 | 14.69 |

Source: Bloomberg, and ADCB Asset Management

Notes: *Data as at 8AM GST on October 18, 2023 unless stated otherwise.

Performance in local currency terms.

Prepared by the Investment Strategy Team

Ahmed Al Falahi

Analyst

Tel: +971 (0)2 497 3934

ahmed.a5@adcb.com

Kishore Muktinutalapati

Head - Investment Strategy

Tel: +971 (0)2 696 2358

kishore.muktinutalapati@adcb.com

Mohammed Al Hemeiri

Senior Analyst

Tel: +971 (0)2 696 2236

mohammed.alhemeiri@adcb.com

Nura Al Suwaidi

Analyst

Tel: +971 (0)2 497 9520

nura.alsuwaidi@adcb.com

Prerana Seth

Fixed Income Strategist

Tel: +971 (0)2 696 2878

prerana.seth@adcb.com

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