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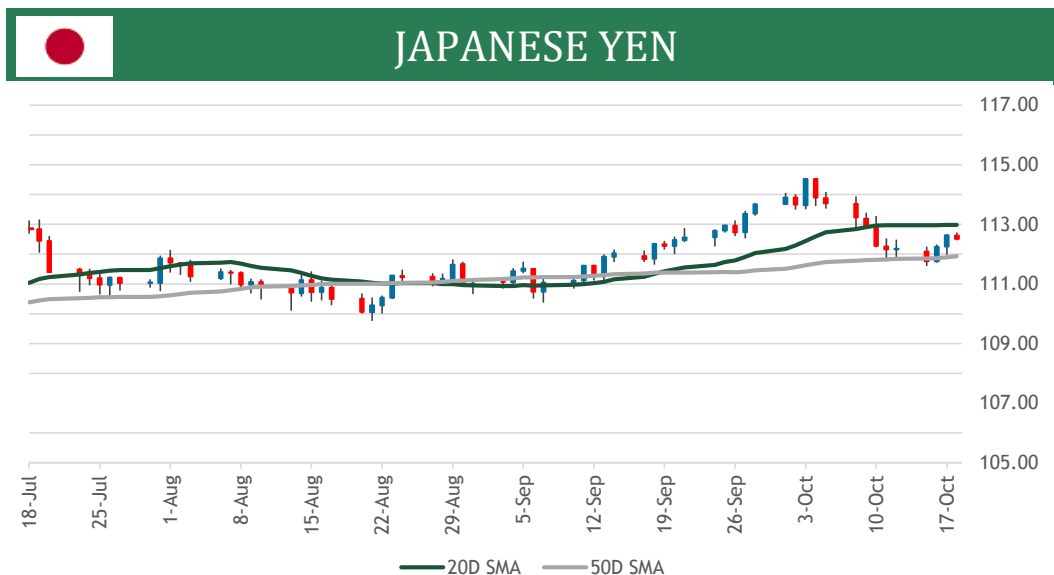
DAILY MARKET REPORT

KFH Treasury

Thu, 18 Oct 2018



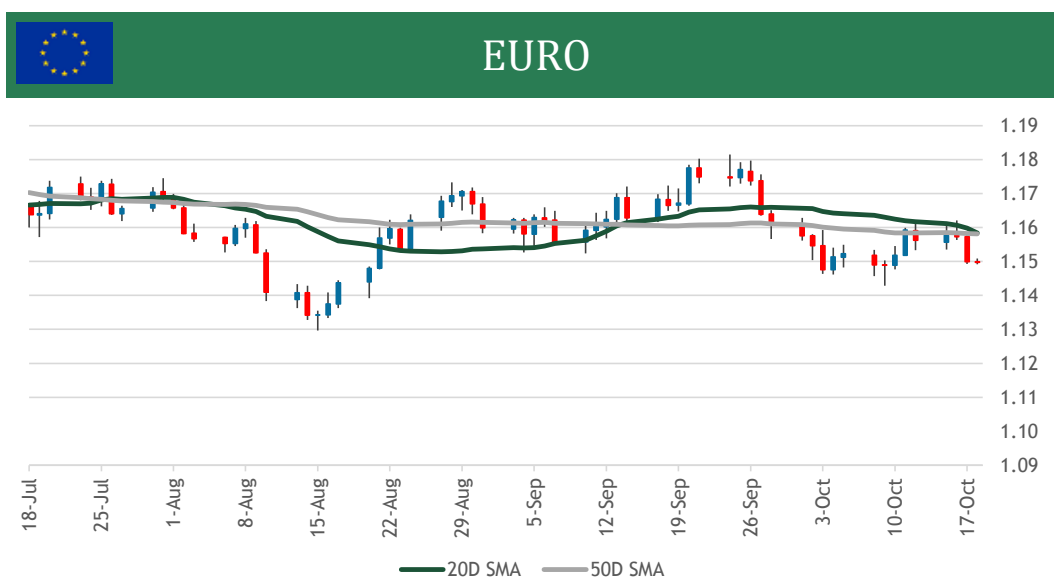
Forex Market



1M %chg
112.64 **0.72%**

3M %chg
-0.19%

- The Yen was initially on the backfoot yest, but subsequently rebounded on selling activity in EUR/JPY and GBP/JPY, with sentiment further shaped by losses in European stocks.
- USD/JPY however diverged by pushing up to a 1wk high of 112.68 on the back of a spike in UST yields post-FOMC minutes.
- In early trade today, the Yen traded mixed on thinner than normal trade flows, amidst caution stemming from the push-pull of a hawkish FOMC minutes and the US Treasury not naming China as a ccy manipulator.
- BOJ Kuroda spoke earlier this morning. The core of his comments were basically a rehash, stating that the BOJ will keep rates very low for an extended period of time, that Japan's economy is expanding moderately and that he still expects inflation to pick up towards their 2% target.
- Sell at 112.52, targeting a run down to 110.85, placing stops at 113.29.



CLOSE
1.1499 **-1.57%**

1M %chg
-1.57%

3M %chg
-1.37%

- The Euro retreated yest amidst positional adjustments heading into the FOMC minutes.
- There was also weight from renewed Italian concerns. Der Spiegel reported that the EC had already made the decision to reject the Italian draft budget, although EU Budget Commissioner Oettinger denied that the decision has already been made.
- Oettinger however conceded that it's "very likely" to happen and that the EC will request for revisions to the plan. Der Spiegel also reported that the EU will not make a counter-proposal, and the ball is firmly in Italy's court.
- ECB Weidmann also weighed in by stating that he shared the EC's skepticism over the Italian budget plan and criticized the Italian govt for failing to reduce it's debt pile.
- Sell around 1.1512, targeting a run down to 1.1313, placing stops at 1.1632.

Forex Market

POUND STERLING



CLOSE	1M %chg	3M %chg
1.3113	-0.33%	0.01%

- The Sterling traded weaker yest, with sentiment initially shaped by expectations of a dip in UK Sep CPI and Brexit concerns heading into the EU summit.
- Luxembourg Foreign Min Asselborn said that it's highly unlikely that a deal would be secured at yest's EU summit.
- UK govt chief whip Smith's warned that the current Irish backstop plan won't have enough votes to pass the House of Commons.
- Losses were then compounded when UK Sep CPI actually came in even weaker than expected.
- The Sterling however pared it's losses against the commod-ccies following the sharp crude slump, and this briefly supported GBP/USD and GBP/JPY.
- Sell around 1.3117 and 1.3138, targeting a run down to 1.2820, placing stops at 1.3264.

TURKISH LIRA



CLOSE	1D %chg	1M %chg
5.5775	-1.82%	-11.66%

- USD/TRY has dropped to 5.6199 in the recent passage of play, a new low since Aug 10, as US Secretary of State Pompeo said the US could lift some sanctions on Turkey. This follows earlier suggestions from Turkish Foreign Minister Cavusoglu, after his meeting with Pompeo, that sanctions on two cabinet members will be lifted.
- As highlighted prev, there is scope for further Usd/Try downside potentially - the charts suggested a break of the 5.6968-5.7539 area risks a deeper decline to 5.4222 (6 Aug former high), perhaps 5.3126.
- Still, key to the continued recovery in the Lira is the October 25^th CBRT policy meeting, where another notable hike to the one-week repo rate, on top of the hefty 625bp increase in September, would help to keep markets stable for longer and potentially at stronger levels.

Commodities

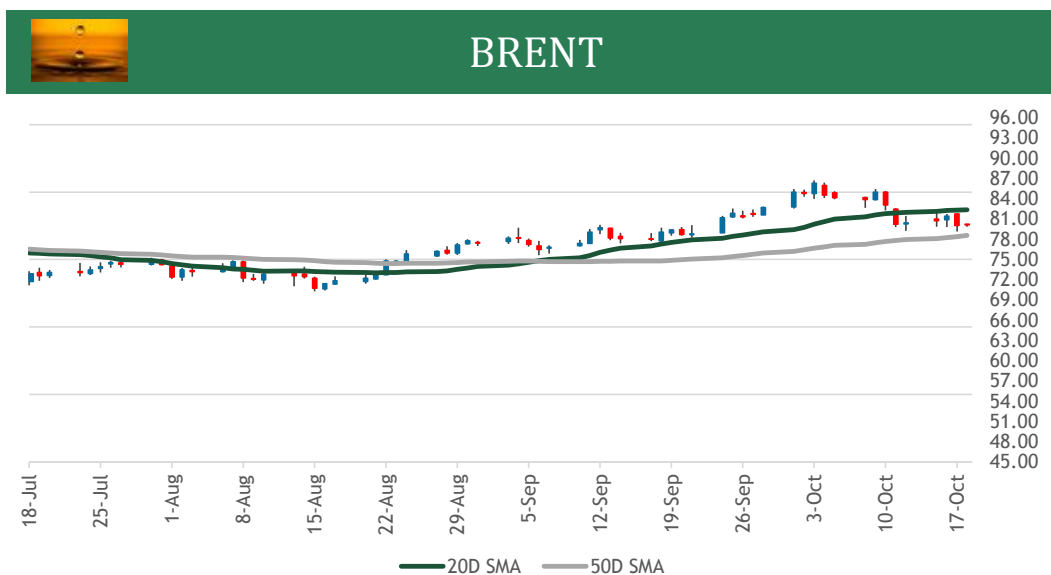


CLOSE
1222.28

1D %chg
-0.14%

1W %chg
2.34%

- Gold prices held steady early Thursday, after dipping in the previous session on a firmer dollar after minutes of the Federal Reserve's September meeting reinforced expectations of a tighter U.S. monetary policy.
- Spot Gold was up 0.1 percent at \$1,223.13 an ounce at 0107 GMT. On Monday, it touched its highest since July 26 at \$1,233.26 an ounce.
- U.S. Gold futures were down 0.1 percent at \$1,226.40 an ounce.



CLOSE
80.05

1D %chg
-1.67%

1W %chg
-3.66%

- Oil prices edged up on Thursday, steadying after a big drop overnight due to a jump in U.S. crude stockpiles and supported by ongoing tensions over the death of a prominent Saudi journalist.
- U.S. West Texas Intermediate crude for October delivery was up 17 cents, or 0.2 percent, at \$69.92 a barrel by 0031 GMT, after falling 3 percent in the previous session to settle below \$70 for the first time in a month.
- Front-month London Brent crude for December delivery was up 23 cents, or 0.3 percent, at \$80.28, having ended down 1.7 percent.
- U.S. crude stocks rose 6.5 million barrels last week, the fourth straight weekly build, almost triple what analysts had forecast, the U.S. Energy Information Administration said on Wednesday

Daily Market Report

MARKET SUMMARY					
INSTRUMENT	OPEN	HIGH	LOW	CLOSE	%CHG 1D
EUR	1.1573	1.1583	1.1493	1.1499	-0.64%
GBP	1.3181	1.3192	1.3098	1.3113	-0.54%
JPY	112.25	112.67	111.98	112.64	0.35%
TRY	5.6755	5.7147	5.5225	5.5775	-1.82%
Dollar Idx	95.0910	95.6630	95.0580	95.5750	0.55%
Brent	81.74	81.85	79.17	80.05	-1.67%
WTC	-	-	-	69.63	-3.20%
Gold	1223.68	1229.50	1219.92	1222.28	-0.14%
KWSE Index	6603.5800	6643.2400	6601.5900	6633.4400	0.00%

UPCOMING ECONOMIC RELEASES					
INDICATOR	Ctry / Regn	Time	For	Prior	Consensus
CPI, Core Nationwide YY	JP	18/Oct 01:30	Sep	0.9	1.0
CPI Index Ex Fresh Food*	JP	18/Oct 01:30	Sep	101.2	
CPI Ex Fresh Fd and Eng	JP	18/Oct 01:30	Sep	0.4	
Philly Fed 6M Index*	US	18/Oct 14:30	Oct	36.30	
Philly Fed Business Indx*	US	18/Oct 14:30	Oct	22.9	20.0

KIBOR RATES			
Tenor	Value	Tenor	Value
ON	0.81	3M	2.00
SW	1.19	6M	2.31
1M	1.69	1Y	2.56

CENTRAL BANK OF KUWAIT				
KWD (CBK FIX) CLOSE			1D %chg	
0.30295			0.00%	
POLICY RATES INDICATOR	As of	Value	Prior	Change
ON Repo Rate	17/Oct/'18	2.25	2.25	0.00
1W Repo Rate	17/Oct/'18	2.50	2.50	0.00
1M Repo Rate	17/Oct/'18	3.00	3.00	0.00
KWD ON Rate	17/Oct/'18	10.00	10.00	0.00
Discount Rate	17/Oct/'18	3.00	3.00	0.00

LIBOR RATES			
Tenor	Value	Tenor	Value
ON	2.18	3M	2.44
SW	2.22	6M	2.66
1M	2.29	1Y	2.97
2M	2.34		

OTHER C-BANK RATES				
INDICATOR	As of	Value	Prior	Change
FED Target Rate	26/Sep/'18	2.25	1.00	1.25
ECB Refinancing Rate	10/Mar/'16	0.00	0.05	-0.05
BOE Bank Rate	02/Aug/'18	0.75	0.50	0.25
BOJ Prime Rate	10/Jul/'17	1.00	0.95	0.05
TRY ON Lending Rate	21/Sep/'18	25.50	24.00	1.50

Economic Calendar & News

ECONOMIC CALENDAR - Upcoming shortly

INDICATOR	Ctry / Regn	Time	For	Prior	Consensus
CPI, Core Nationwide YY	JP	18/Oct 01:30	Sep	0.9	1.0
CPI Less Food and Energy*	JP	18/Oct 01:30	Sep		
CPI Ex Fresh Fd and Eng	JP	18/Oct 01:30	Sep	0.4	
CPI MM NSA*	JP	18/Oct 01:30	Sep	0.59	
CPI Index Ex Fresh Food*	JP	18/Oct 01:30	Sep	101.2	
CPI, Overall Nationwide	JP	18/Oct 01:30	Sep	1.3	
CPI NSA*	JP	18/Oct 01:30	Sep	101.6	
Nationwide Core CPI MM*	JP	18/Oct 01:30	Sep	0.40	
Nationwide Core CPI YY*	JP	18/Oct 01:30	Sep	0.2	
Retail Sales MM	GB	18/Oct 10:30	Sep	0.3	-0.40
Retail Sales YY	GB	18/Oct 10:30	Sep	3.3	3.6
Retail Sales Ex-Fuel MM	GB	18/Oct 10:30	Sep	0.3	-0.40
Retail Sales Ex-Fuel YY	GB	18/Oct 10:30	Sep	3.5	3.7
Initial Jobless Claims	US	18/Oct 14:30	w/e	214	212
Jobless Claims 4-Wk Avg	US	18/Oct 14:30	w/e	209.50	
Continued Jobless Claims	US	18/Oct 14:30	w/e	1.660	1.665
Philly Fed 6M Index*	US	18/Oct 14:30	Oct	36.30	
Philly Fed Capex Index*	US	18/Oct 14:30	Oct	26.70	
Philly Fed Business Indx*	US	18/Oct 14:30	Oct	22.9	20.0
Philly Fed Employment*	US	18/Oct 14:30	Oct	17.60	
Philly Fed New Orders*	US	18/Oct 14:30	Oct	21.40	
Philly Fed Prices Paid*	US	18/Oct 14:30	Oct	39.60	
Leading Index Chg MM	US	18/Oct 16:00	Sep	0.4	0.5

NEWS AND STREET BUZZ

Global Top News

- Japan's exports fell in September for the first time since 2016 as shipments to the United States and China declined, likely impeding third quarter economic growth and adding to concerns about the broadening impact of an escalating Sino-U.S. trade war.
- Asian stocks were capped and the dollar rose to a one week-high in early Thursday trade after the minutes of the Federal Reserve's latest meeting showed broad agreement among board members on the need to raise borrowing costs further.
- Senate Republican Leader Mitch McConnell on Wednesday prodded President Donald Trump's administration to quickly resolve festering trade disputes particularly with China, saying tariffs imposed by other countries in response to Trump's trade policies are starting to pinch the "red hot" U.S. economy.
- British Prime Minister Theresa May assured EU leaders in Brussels on Wednesday that she can still reach a Brexit deal, avoiding a showdown over stalled talks as Brussels stepped up planning for a failure of negotiations.
- Saudi Arabia's stock market stabilised on Wednesday after swinging widely in recent days on concern that international pressure over journalist Jamal Khashoggi's disappearance could hurt foreign investment inflows.
- Anglo-Gulf Trade Bank, a British/UAE start-up, is aiming to shake up trade finance in the region by using blockchain to speed up transactions, becoming the latest financial services firm to adopt the technology.
- Kuwait Petroleum Corp set the price for Kuwait Super Light Crude (KSLC) at \$2.30 a barrel above Oman-Dubai quotes for October and at a premium of \$3.05 a barrel for November, a source with knowledge of the matter said on Wednesday.
- Emirates NBD (ENBD) raised a \$2 billion three-year loan late last month, a representative for Dubai's largest lender said. A group of 18 banks committed to the transaction.
- Qatar Islamic Bank (QIB), the Gulf state's largest sharia-compliant lender by assets, reported an 11.5 percent rise in third-quarter net profit as the bank's income from fees and commission and financing rose.

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