

**Market Commentary**

- **May Wins No-Confidence Vote:** Theresa May, after narrowly winning a confidence vote, continues talks today with rival parties in an effort to break the Brexit deadlock. Jeremy Corbyn didn't attend last night. EU leaders are open to delaying the divorce into the second half of 2019 to prevent a no-deal scenario, regional diplomats said. They don't think limited EU concessions on the Irish border backstop would be enough to revive May's plan. More than 130 executives called for a second referendum in a letter to The Times.
- **U.K. Inflation Falls:** The Consumer Price Index (CPI) fell to 2.1% in December, as was widely predicted by economist, from 2.3% in November. This is the lowest rate since January 2017 when it was 1.8%. Inflation is now close to the Bank of England's 2% target, which means policymakers are likely to leave interest rate on hold ahead of Britain's expected departure from the European Union at the end of March.
- **High Probability of U.S. Recession:** There's an almost 70% chance of a U.S. recession by May 2020, according to signals from an early warning system triggered by the recent plunge in the country's 12-month/10-year spread, Rabobank said. Deutsche Bank said the trade war and the government shutdown could be enough to tip the economy into recession this year.
- **Yen Forecast:** Citi raised its yen forecast to 103 per dollar for 6-12 months from a previous outlook of 108. It's "very cheap" compared with long-term fair value, wrote strategists led by Jeremy Hale. An ex-BOJ official went further, saying a recession in Japan — which could come as early as the autumn — might push the yen above 90. "I don't think it will hit the 70s but the 80s is quite likely," said Hideo Hayakawa, who is now at Fujitsu Research.
- **Pound will Remain Volatile:** Bank of England governor Mark Carney has said the pound's rebound after the Commons vote signals market hope that Brexit can be delayed but warned over further volatility. He said financial markets also saw the prospect of the UK crashing out the EU without a deal as having waned.
- **Oil Outlook:** WTI held around \$52 a barrel on signs top suppliers are committed to curbs. Russia said it plans to meet its OPEC+ production-cut target by April, while Saudi Arabia has already reduced shipments to American refiners. OPEC's monthly report, due today, will shed light on the status of output and market outlook.
- **GCC Sovereign Outlook Seen Stable:** Moody's Investors Service report showed stronger oil prices during most of 2018 reduced fiscal and external pressures for GCC countries in the short term. As for the outlook for 2019, Moody's projected that geopolitical tensions would remain a "key source of risk" and a catalyst for increased spending on military matters.

*Source: Bloomberg, Reuters*
**Currencies**

EUR/USD	1.1386
GBP/USD	1.2870
USD/JPY	108.86
AUD/USD	0.7157
NZD/USD	0.6748
USD/CHF	0.9913
USD/CAD	1.3281

**Interbank Rates**

	USD	GBP	EUR	AED	SAR	BHD
1WK	2.402	0.69913	-0.4471	2.3553	2.6925	2.850
1MO	2.5075	0.73488	-0.4204	2.5975	2.78625	3.567
2MO	2.63963	0.79538	-0.3713	-	-	3.700
3MO	2.77344	0.92794	-0.333	2.7123	2.97125	3.950
6MO	2.84581	1.04494	-0.2964	3.1133	3.10375	4.067
12MO	3.00838	1.18675	-0.1756	3.5388	3.33	4.700

**Commodities**

Brent Crude	61.07
WTI	52.02
Gold	1292.98
Aluminum	1859.0
Copper	5970
Silver	15.57
Platinum	802
Palladium	1323.5

**Indices**

DJIA	24,207.2
S&P 500	2,616.1
DAX	10,931.2
NIKKEI 225	20,402.3
CAC 40	4,810.7
FTSE 100	6,862.7
DFM	2,500.1
TASI	8,406.5

**Treasuries**

US2Y	2.5285
US10Y	2.7092
EU2Y	-0.6020
EU10Y	0.2240
GB2Y	0.8290
GB10Y	1.3110
SAR2Y	3.0775
SAR10Y	4.0318

**Main Economic Indicators**

Relevance	Country	Indicator	Consensus	Previous
	EU	CPI MoM (DEC)	0.0%	-0.2%
	EU	CPI YoY (DEC)	1.6%	1.9%
	US	Initial Jobless Claims (JAN 12)	220K	216K

## Disclaimer

It is important that you only use this report if you are the intended recipient of this report and you have satisfied yourself that you are eligible to receive such information. This report is provided to you because you are one of our esteemed customers and have previously shown interest in receiving the type of information contained in this report.

The Treasury and Investment Management department of Gulf International Bank B.S.C. ("GIB") have compiled the information in this report. GIB is incorporated in the Kingdom of Bahrain and is licensed by the Central Bank of Bahrain (the "CBB") as a conventional wholesale bank. GIB's head office is located at Al-Dowali Building, P.O. Box 1017, 3 Palace Avenue, Manama, Kingdom of Bahrain.

This report is intended for the accredited investors, as defined in the Investment Business Code of Conduct published by the CBB. This information has not been reviewed by the CBB or any other regulatory authority in any jurisdiction and neither CBB nor any other regulatory takes any responsibility for the correctness or accuracy for the information contained in this report.

The information contained herein is not directed at or intended for use by any person resident or located in any jurisdiction where (1) the distribution of such information is contrary to the laws of such jurisdiction or (2) such distribution is prohibited without obtaining the necessary licenses or authorizations by the relevant branch, subsidiary or affiliate office of GIB and such licenses or authorizations have not been obtained. The recipient of such information is responsible for ensuring that this information has not been received by it in breach of laws and regulations of any jurisdiction.

This report contains publicly available information only, which has only been compiled by GIB. The information provided herein is on "as is" and "as available" basis and without representation or warranty of any kind. GIB hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall GIB or its subsidiaries, affiliates, shareholders or their directors, officers, employees, independent contractors, agents and representatives (collectively, "GIB Representatives") be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting there from, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of information or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of GIB or any GIB Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. The information here is, and must be construed solely as, compilation of information (unless expressly stated otherwise) and not statements of fact as to credit worthiness or recommendations or opinions of GIB.

This report does not provide individually tailored investment advice. Any materials contained herein have no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. The document is provided for information purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. GIB makes every effort to use reliable, comprehensive information, but we do not represent that it is accurate or complete. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the materials, nor are they a complete statement of the securities, markets or developments referred to herein. Recipients should not regard the materials as a substitute for the exercise of their own judgement. Any opinions are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GIB as a result of using different assumptions and criteria. GIB is not under any obligation to update or keep current the information contained herein.

The value of, and income from, your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realised.

The information contained in this report is just for informational purposes. Information does not constitute a solicitation, an offer, or a recommendation to buy or sell any investment instruments, to effect any transactions, or to conclude any legal act of any kind whatsoever. GIB does not intend to provide investment, legal or tax advice through this report and does not represent that any securities or services discussed are suitable for any investor. When making a decision about your investments and business, you should seek the advice of professional advisors.

The report may contain statements that constitute "forward looking statements". While these forward looking statements may represent GIB's judgment and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from GIB's expectations. GIB is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise. The historical information is provided for information purposes only. Performance figures are calculated before tax (if any) and after deducting ongoing fees and expenses. The performance figures are historical and past performance is not necessarily an indication of future results. Certain amounts (including %ages) included in this document may have been subject to rounding adjustments. Accordingly, figures may not be an exact arithmetic aggregation of the figures to which they relate. The values and forecasts shown represent our current indicative valuations and forecasts of the relevant transactions, currencies, interest rates, commodities or securities as at the date shown. Any value or forecast shown herein is not an indicative price quotation. We expressly disclaim any responsibility for the accuracy of the values or forecasts shown, any errors or omissions in the report.

With the exception of information regarding GIB and save as otherwise specifically indicated, the information set out in this report is based on public information. We have, where possible, indicated the primary source of information. We strongly recommend the recipients consult the primary source of information. Facts and views in this report have not been reviewed by, and may not reflect information known to, professionals in other GIB business areas.

This Report, and the information contained herein (save to the extent that such information is publicly available) is confidential and may not be disclosed by you to any other person outside of your organization without our consent.

GIB retains all right, title and interest (including copyrights, trademarks, patents, as well as any other intellectual property or other right) in all information and content (including all text, data, graphics and logos) in this document. All recipients must not, without limitation, modify, copy, transmit, distribute, display, perform, reproduce, publish, license, frame, create derivative works from, transfer or otherwise use in any other way for commercial or public purposes in whole or in part any information, text, graphics, images from this document (excluding publicly available information) without the prior written permission of GIB.