



## 7 NOVEMBER 2018

### MARKET SNAPSHOT

#### TURKEY

The Turkish lira weakened by 0.8% on Tuesday while the lira's CPI-based real effective exchange rate rose for the first time in 9 months according to the Central Bank of Turkey. TURKEY 47 slightly strengthened yesterday (lower 78 level) while the corporate bonds traded mixed: AKBNK 6.797 28 and HALKBK 3.875 20 each lost about 60 bps while ISCTR 6 22, ODEABK 7.625 27 and YKBNK 5.5 22 gained 80-100 bps.

#### RUSSIA

The Russian ruble slightly gained on Tuesday after posting two weekly declines in a row. It reached 66.11 per USD. As the US mid-term election results were widely expected, now the investors are awaiting the post-election US rhetoric which will be significant for sentiment in EM in general and in Russia in particular. RUSSIA 47 lost half a point yesterday and closed at lower 92 handle. There were no significant movements within the corporates, most of the credits traded flat.

#### BRAZIL

The earnings of Brazilian state-owned oil company Petrobras rocketed 20x in the Q3 supported by high oil prices. The net profit reached USD 1.7 bn in Q3 versus USD 71.4m year ago. The company results were also affected by the fine payment in the US which was related to the corruption action of its former directors. The real lost 1% on Tuesday and reached 3.76 per USD level. BRAZIL 47 slightly weakened (mid 91 area). Despite the strong earnings report, most of PETBRA bonds also weakened by 20-30 bps on average. SAMMIN, GLOPAR, BRASKM and BRFSBZ curves slightly appreciated while ITAU and SUZANO curves weakened.

#### SSA

In SSA, news of Mozambique agreeing to restructure the 2023 bonds led to a drop in yields in the MOZAM 2023s. Demand was seen by RM and the paper was up nearly 7% on the day. A highest spike ever seen in the paper. Momentum is expected to continue even as we are one day away from US FED. Activity in DIAMBK 2019 was seen yesterday following the downgrade by S&P, bonds were trading c.2-3pts down on the day. The speculation that the company might have some financial troubles in meeting their USD obligations is at its peak. Nonetheless, interested buyers were locals who believe the bank is too strong to default in its USD obligations. Coupon payment is due in two weeks which will be telling on the next direction of the paper. We saw interest in GHANA 2026 pick up in EU session before tailing in the US session. We continue to see cautious buying interest across the sovereigns.

#### EU

In the EU, the Italian PMI which tracks services and manufacturing sectors fell to 49.3 in October (the lowest level within 5 years) while the analysts expected 52 level. The Italian economy failed to record any growth in GDP in Q3 which is also a worst performance since 2014. The yield on 10Y BTPS gained 8 bps and closed at 3.4% (currently trading at 3.366%). The factory orders in Germany rose 0.3% during September while the 0.6% fall was widely expected by economists. After touching 0.407% during the day, the yield on 10Y DBR closed at 0.4325% level (adding 1 bps). In Poland the central bank is expected to leave the rate unchanged at 1.5% level during its meeting today.

#### US

In the US, the midterm election took place yesterday. As it was expected, the preliminary exit polls showed that Democrats gained most of the seats in the House of Representatives while Republicans retained control of the Senate. US stocks appreciated yesterday, Dow gained 0.68%, S&P added 0.63%. The yield on 10Y USTs was up 2.3 bps, it closed at 3.2218% yesterday while the dollar index traded flat. Today the investors will turn their attention to the FED which begins its two-day policy meeting. It is widely expected that the central bank will hold the rate unchanged during this meeting and will hike the rate during the December meeting, however, policymakers' statements could be significant.

#### ASIA

In Asia, the indexes are following the US trend - NIKKEI +0.68%, HANG SENG +1.17%, CSI 300 +0.42%.

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