NEWS

EMERGING MARKETS



Mk MeritKapital

12 NOVEMBER 2018 MARKET SNAPSHOT

C- TURKEY

The Turkish lira fell for a fourth day vs USD, it lost 0.6% on Friday and reached 5.4925 per USD level. Today the Turkish central bank published the current-account figures for September – it showed a surplus of USD 1.83 bn after a record surplus in August. Some analysts predicted the tendency to continue next month as well. While the Turkish sovs remained unchanged during Friday trading session (TURKEY 47 closed at upper 77 handle, TURKEY 28 – mid 90 area), the corporate bonds mostly weakened by 20-40 bps. Underperformers were AKBNK 7.2 27, GARAN 6.125 27 and YKBNK 8.5 26 – each lost more than half a point while ODEABK 7.625 27, PETKM 5.875 23 and KFINKK 7.9 26 slightly appreciated.

GCC

In GCC space, the Saudi Arabian energy minister said on Sunday that OPEC needs to cut 1 mio barrels per day from October levels as OPEC and its allies began laying the groundwork to reduce oil supply in 2019. The Saudis energy giant Aramco would supply 500k fewer barrels per day in December due to lower demand. The oil prices rallied this morning, Brent gained 2.1%, WTI added 1.5%.

SSA 📕

In Sub Sahara Africa, trading was muted with some derisking of SSA long ends going into the weekend. GHANA belly and long remained reasonable offered for most session on Friday with selling interest remaining on NGERIA long as they begin there roadshow in London and US this week. Statement by DIAMBK confirming that they didn't receive any cash injection failed to garner any reaction from the street and RM as bonds remained in the 93/94 handle. Nonetheless, locals remained buyers with internationals now in a wait and see mode. MTN Limited traded about 10bps stronger on the back of headlines that an imminent deal with Nigeria Central Bank on \$8bn is on the horizon. ZAMBIN continues it rally into Friday with the curve seen trading up c.0.5pt - 1pt. MOZAM 2023s stabilised on Friday after the rally buoyed by news of IMF visit and transparency of the country's debt for September. Gabon's President, Ali Bongo, is reported this morning to be recovering well after falling ill. This should bring some respite to the GABON curve after trading down 2 days in a row following uncertainty about his health. The 2024s and 2025s are slightly up this morning c. 10cts.

RUSSIA

The Russian ruble underperformed other EM currencies on Friday, it lost 1.7% and closed at 68.1 per USD - its weakest level since mid-September. At the same time the yield on 10Y OFZs rose to 8.91% - highest level since September 17th due to the drop in oil prices and speculations over new tougher sanctions against Russia. RUSSIA 47 lost half a point and reached lower 90 area, however the corporate bonds closed mixed: ALFARU 8 PERP, SBERRU 5 1/4 23 and VEBBNK curve lost more than half a point while GMKNRM, EVRAZ, RURAIL and MOBTEL curves slightly strengthened.

MEXICO

The Mexican stocks and local currency recovered on Friday after a steep losses during Thursday as the incoming president promised investors not to change the banking laws during the next three years. The peso gained 0.7% and reached 20.05 per USD just after the comments. However, the Mexican credit market traded mostly in the red zone: MEX 48 slightly weakened (lower 87 handle), BBVASM, PEMEX, CFELEC and FUNOTR curves lost 20-60 bps while TELVIS, KOF and BIMBOA curves slightly appreciated.

BRAZIL

Despite the global EM weakening sentiment, the Brazilian credits traded higher on Friday. BRAZIL 47 slightly appreciated to higher 90 area. Within the corporates, BRASKM, SAMMIN and CSANBZ curves gained 20-40 bps, VALEBZ curve appreciated more significant, credits added 80-120 bps along the curve. Today Brazil will post weekly CPI, trade balance and the central bank survey of economists.

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EU

In the EU, Italy is considering some changes to its budget plan before resubmitting it to the European Commission. Italy may adjust the economic growth projection and is studying steps to guarantee it won't breach the 2.4% target deficit. Tuesday, November 13th, is a deadline for resubmission. Today, Italy will publish its industrial output statistics. The yield on 10Y BTPS lost 5 bps on Friday and closed at 3.4% level (currently trading even lower – at 3.39%). The yield on 10Y DBR moved same direction, it slid 4 bps and reached 0.41%.

In the US, the stock market dropped on Friday, Dow lost 0.77%, S&P weakened by 0.92%. The wholesale inflation statistics showed the quickest monthly pace in eight years. The yield on 10Y USTs fell 4.5 bps to 3.1875% level while the dollar index strengthened by 0.2%. Today the US market will be closed due to national holiday - Veterans Day.

💴 ASIA

The Asian stocks are trading higher today, NIKKEI +0.13%, HANG SENG +0.31, supported by the oil rally.

On the new issues front, the Volkswagen is coming to the market with a multi-tranche (4 bonds in EUR and 2 in GBP) - the deal was surprisingly unannounced. The initial price guidance shows 25-35 bps upside for each bond.

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