



13 NOVEMBER 2018

MARKET SNAPSHOT

TURKEY

On Monday Turkish Treasury successfully held an auction where it sold TRY 100 mio of 13-month local bonds with a yield of 19.76% (bid-to-cover 15.6) and TRY 70 mio of 5Y local bonds with a yield of 17.67% and a 26.36 bid-to-cover ratio. During his interview yesterday, Turkish President Mr. Erdogan said that he discussed the Halkbank case with US President Mr. Trump during the weekend and that the issue with US is on the “positive path”. The lira slightly weakened yesterday, it lost 0.2% and closed at 5.4555 per USD level. TURKEY 28s and 47s slightly strengthened to mid-90 area and upper 77 handle respectively. Most of the corporate Eurobonds remained unchanged on thin liquidity due to the national holiday in US.

GCC

In the GCC space, the session was also rather quiet due to the US holiday with most of the names unchanged. ADGB 47s traded flat on the day at 92.3 area, same for KSA 47, which traded at mid 91s yesterday, but dropped 50c so far this morning to 91 level. The investors can be thought to be reacting to the tensions between Saudi and US, which rose again yesterday, as Trump criticised Saudi’s plan to cut the oil production to keep the oil prices from tumbling. In the new issue space, NMC Healthcare which is a wholly owned subsidiary of NMC Health (rated Ba1/BB+ by Moody’s/S&P, both stable) are finishing their roadshow for the new 5Y USD Sukuk today in London and Singapore, the deal is expected to follow tomorrow sbj to the market conditions.

SSA

Pretty quiet session across Sub Sahara Africa with the SSA Sovereigns universe trading down c.0.5pts in general given US holidays. Major event was the headline on KENYA’s debt as it is reported that they hit all-time highs and reserves declined for the 5th week in a row. Nonetheless, the CBK is said to have reserves enough to cover 4 months of imports, therefore they are confident they can support any fall in the shilling. NIGERIA mandated Citi and Standard Chartered to organise the road show today in London after which a 7Y, 12Y and a 'long dated' issue will follow. This morning the NIGERIA curve remains well offered with the 47s trading actively already in a two-way market. The street is seen selling the 2047s around 90 handle. Given the over subscription of the roadshow, we take this as a sign that new issue could potentially do well. DIAMBK issued an official statement that they are not in talks with Access bank or any financial institution about a merger or a takeover. The bonds continue to trade 94/95 handle with bids seen around 93 handle from locals, but offers from internationals are now as high as 96.

RUSSIA

The Russian ruble rebounded after three days of losses as oil prices jumped on OPEC news speculations. The ruble gained 0.35% and closed at 67.84 per USD. Russia 47 slightly gained on Monday, seen trading at mid-90s area. The Ukrainian curve slightly steepened, as long yields widened 5-8bp, while the shorter end tightened 4-13bp. This Morning Gazprom is tapping the market, opening the books this morning for the new 5Y EUR issue with the initial guidance of 3.125%, which gives an upside of 30+ bps to investors.

BRAZIL

The Brazilian upcoming president Mr. Bolsonaro appointed Joaquim Levy as a new head of Brazil’s all-powerful development bank – BNDES. Mr. Levy will take charge of selling of state-controlled companies. The new elected president Mr. Bolsonaro is building out an economic team that must tackle a fiscal deficit, rising debt and sluggish growth. He has yet to announce his central bank chief. The BRAZIL curve stayed flat last night with BRAZIL 47 at 91 area.

ARGENTINA

The rating agency S&P cut the Argentina’s credit rating by one notch – to B (five levels below investment grade). However, the S&P assigned a stable outlook to the country, as it expects the government to carry out measures to stabilize the economy over the coming 18 months. ARGENT 47s EUR is down 60c so far this morning to mid-76 area, while ARGENT 48 USD relatively flat prior to US opening, down only 20c in Europe to low 75 area.

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EU

In the EU, the Italy's budget issue might be escalated today as today is a deadline for its resubmission. Italy is determined to stick to its plan to boost spending, cut taxes and lower the retirement age. The second rejection of the proposed budget by the European Commission might lead to a disciplinary process against Italy. The 10Y Italy-Germany yield spread has widened above 300 bps for the first time this month. The yield on 10Y BTPs gained 6 bps to 3.45% levels while the 10Y DBR lost 3 bps to 0.3942% level. Today the Germany ZEW economic sentiment survey will be published. The Cyprus curve was weaker yesterday on low liquidity as well as the comments from the EU Commission, warning Cyprus that despite the significant improvement in the rate of NPLs since 2013 crisis, the risks to the economy remain and the rate is still high. The new CYPRUS 28s is trading at low 100 area again

US

In the US, the stock market dropped for the third consecutive day, S&P lost 2%, Dow weakened by 2.3%. The dollar index rose by 0.7% while the bond markets were closed due to Veterans Day holiday.

ASIA

The Asian stock are falling this morning following the US sentiment. Topix dropped by 2.8%, ASX is losing 1.8% while Kospi is down by 2%.

NEW ISSUES

On the new issue front, we have a busy day this morning. From the EM space GAZPRU is issuing a 5Y EUR paper, NAFTOGAZ of Ukraine (B-) is also issuing a 5Y deal with IPTs at a remarkable 10.9% and NIGERIA has finally announced a potential multi-tranche USD deal, mandating Citi and Stan Chartered to arrange investor meetings. From MENA we have NMC Healthcare 5Y Sukuk as most likely tomorrow's business. In Asia we have Export-Import Bank of Thailand issuing a 300 MIO USD capped FRN issue, current books are at 2.6bn USD already; Bank of China issuing a multi-currency multi-tranche monster deal this morning and Industrial Bank HK Branch issuing a dual tranche EUR/USD 3Y deals. Three European banks are issuing bonds today as well - BNP Paribas, UNICREDIT and DEUTSCHE PFANDBRIEFBANK. While Castellum is the IG non-bank issue of the day, coming to the market with a new 5Y EUR issue at MS +195/200 IPTs. In EU Govt Agencies we have BPIFrance in the market with a 7.5Y EUR issue. In Supranationals, World bank is tapping the market with a dual-tranche USD/EUR 500 mio each tranche green bonds with 7Y and 9Y maturities respectively.

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