

18 DECEMBER 2018
MARKET SNAPSHOT
 OIL

Oil is down with Brent trading back below 60\$/ barrel, down 1.75% to 58.5\$ levels this morning as concern over weaker demand and a resulting potential increase in US stockpiles is growing. Slower global growth worries are further enforcing the decline, making investors doubt the OPEC+ production cut effectiveness.

 US

Last night was yet another bad day for US stocks with DOW -2.11%, S&P -2.08% and NASDAQ -2.27%, all sliding amid similar global growth concerns. This sentiment was further reinforced by Chinese President Xi Jinping who didn't offer the market any significant reform proposals and plans to boost the country's slowing economy. Risk-off sentiment ensued with Gold holding its gains and Treasuries trading up with a 10Y yield down 5bps to 2.83% today. On another note the markets are awaiting the outcome of the Fed meeting that's starting today, as well as their rate decision. Analysts widely anticipate a 25bps hike, but don't rule out the possibility of slower path next year if not a break, given the confluence of macro and geopolitical issues the world is facing.

 ASIA

Asia followed the red path of the Wall street with NIKKEI -1.84%, HANG SENG -0.94% & CSI -1.22%. The region's biggest loser was Japan, where the TOPIX index was down 1.9% at an 18-month low. In the bonds space we can see better sellers in \$CHINA space, with most either raising cash or switching into higher yielding bonds.

 EU

In the EU, the Italian government has sent Brussels a new budget proposal with a 2.04% revised deficit target for next year, BTPS bonds remained mostly unchanged yesterday, with BTPS 28s trading around 2.95% yield. German Bond yields however are down 4bps from the high levels of yesterday with 10Y generic trading at 0.238% this morning, following treasuries in a flight to safety sentiment. The peripheral performance remained stable, with PGB 28s down 2.5bps in yield yesterday to 1.65% levels and SPGB 28s mimicking the move also down 2.5bps to a 1.387% level this morning. The Cyprus curve was stable with the yields unchanged, and buyers still visible.

 UK

In the UK, Theresa May set a date for the British MPs to be able to vote on Brexit to the third week of January after the initial delaying last week. Gilts opened this morning gaping 4bps down in yield with 10Y at 1.24%, while the Pound reached as high as 1.2662 USD this morning.

 RUSSIA

In Russia the market continues to be in the green, with the Sovereign bonds gaining in general on the week and opening even stronger this morning. RUSSIA 47 is currently bid at 93.625 lvls, up 37.5c from last Monday's levels. In the corporates' space the move was similar with the outperformers being GAZPRU, VEBBANK, LUKOIL. LUKOIL 23s is the top performer, gaining more than a point in price last week to 98.8 levels.

 MIDDLE EAST

In the GCC space, the start of the week was quiet with only a handful of names being traded as Christmas holidays approaching. Buyers are still seen in SOV and IG space, as well as across the BAHRAIN curve, as Moody's changed its outlook on the country to stable and affirmed the B2 rating. OMAN continued to be under pressure yesterday with sellers failing to find bids in the market, especially in the longer end of the curve, as the investors weigh in risks of holding papers of the country with one of the biggest deficits and debts amongst GCC countries except Bahrain, but without the advantage of the similar aid package that was granted to Bahrain. OMAN 47 lost another 80c from yesterday, sliding to 84 levels.

 TURKEY

In Turkey, the data released today showed that retailers suffered their worst fall in sales since the records began, with sales volumes down 7.5% on the year in October, as a result of the currency crisis and an economic slowdown. The Sovereign bonds are yet to be affected, continuing their advance with TURKEY 47 already seeing bids at 79 this morning, compared to offers at that level seen yesterday. The corporate and Banks space remained mostly unchanged with some retail buyers purchasing ACKAF 23s, MERSIN 20s and TUPRST 24s.

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 LATAM

In Latam news, AMLO has sent his budget plan to congress, which has been reported to include additional spending on infrastructure and social programmes, amongst them a \$23bn allocation to PEMEX to boost output in 2019. MEX 28 gained 40c on the day, while PEMX 28s showed a smaller 30c rise to above 90 levels. In general, the HY continued to underperform the IG in the sovereign space, as ARGENT and ECUA yields added 10 and 20 bps respectively, whilst the rest of Latam closed -3/-5bps tighter on the day.

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