NEWS

EMERGING MARKETS

Mk MeritKapital

CYSEC license number 077/06
FCA license number 720609

30 JANUARY 2019
MARKET SNAPSHOT

US

Investors remained cautious on Tuesday prior to earning reports from tech giants and the FED rate decision. Wall Street closed mixed with S&P -0.15% and DOW +0.21%. On the post-market Apple and AMD stocks rallied by 5.7% and 8.1% respectively after encouraging data. Today the Trump administration will meet with Chinas' vice premier Liu He in Washington; Treasury Secretary Steven Mnuchin expects "significant progress" in talks this week, the Fox Business Network reported. The FED chairman Jay Powell will hold a press conference following the central bank's policy meeting. While analysts expect the rate to stay unchanged, Powell's rhetoric on monetary policy trend might affect markets. The yield on 10Y USTs lost 22.6 bps to 2.708% while the dollar index strengthened by 0.1%.

UK

Members of the British Parliament voted for a change of the Prime Minister's proposed Irish backstop. Theresa May now has two weeks to negotiate an 'alternative arrangement' with the EU to gain support in the next vote. A second Tuesday vote in the House of Commons rejected the possibility of Britain leaving the EU on March 29th without a deal. The Pound depreciated from 1.3163 to 1.3066 against USD. The yield on 10Y UKT closed almost flat at 1.2537%, despite touching 1.2855% during the day.

OIL

Oil prices rallied on Tuesday after the US imposed sanctions on Venezuela`s PDVSA. Brent gained 2%, WTI advanced by 2.5%.

ASIA

Asian markets are trading mixed this morning prior to the US – China meeting, Hang Seng gained 0.3%, CSI 300 advanced by 0.2% while NIKKEI and TOPIX are both down by 0.35-0.4%. Australian ASX 300 Metals and Mining made solid gains, it already strengthened by more than 2% following Brazilian Vale's CEO announcing a million tons per year cut of iron ore production.

EU

On the opposite side of Brexit negotiations, the European Council President, Donald Tusk, rejected the idea of reopening the Irish backstop issue. Mr. Tusk also mentioned the EU27 is almost certainly willing to grant the UK an extension beyond March 29th. The German Consumer Climate figures outperformed expectations, CPI figures will be announced later today. The Euro finished Tuesday trading at 1.1433, while the yield on 10Y DBR slipped by almost 7bps from 0.1506% to 1.1346%.New Greek 'GGB 3.45 04/02/24 Corp' bonds were reoffered at 99.314, which attracted investing optimism.

TURKEY

Turkey's central bank inflation report should either fuel or squash concerns that the central bank will ease interest rates prematurely, Bloomberg reported. Analysts expect it to be 14.6% compared to the previously estimated 15.2%. TURKEY 47 gained a point to lower 83 level on Tuesday while most of the corporates slightly weakened. The lira appreciated to 5.2881 per USD level.

RUSSIA

The Russian ruble gained 0.3% on Tuesday to 66.05 level as the accounting year in Russia approached the end. The ministry of finance cut the weekly OFZ side even further, today MinFin will only offer RUB 25 bn in RFLB 6.5% 24 and RFLB 29 (vs RUB 30 bn last year). RUSSIA 47 slightly strengthened to lower 98 level. Within the corporates, SBERRU 5 23, PROMBK 5 19 outperformed the market yesterday, both added half a point while GAZPRU 28 & 34 and ROSNRM 22 lost 30 bps on average.

LATAM

Venezuela's saga continued yesterday when the US said it has handed control of Venezuela's bank accounts in the US to the opposition leader Juan Guaido, while the Venezuelan Supreme Court moved to restrict Guaido's movements and freeze all his assets amid international calls to install the lawmaker as the nation's legitimate leader, the NYP reported. PDVSA trading was restricted at most counterparties yesterday, some traded on an agent-only basis. The short end is indicated down 3pts while the long end is down 1.5pts. Mexican peso may be weighed down by Q4 economic growth report. The rating agency Fitch lowered PEMEX rating by two notches to BBB- with negative outlook, the bonds fell by 2-5 points. Fitch analysts believe that Mexican government measures for the oil company are not enough to offset the deterioration in the company credit profile.