

21 FEBRUARY 2019
MARKET SNAPSHOT

US

The US indices slightly gained on Wednesday, Dow advanced by .24%, S&P added .18% on renewed optimism for progress in the ongoing U.S/China trade talks. The FOMC minutes, released last night, showed that the Fed might be very close to bringing its balance sheet reduction to an end because most of the participants voted to stop the roll-offs this year. The discussion on the Fed's balance sheet was a "mostly dovish signal" and more dovish than commentary on rates. On rates, despite a market that continues to pricing in rate cuts as the next move by the Fed, the Committee still appears to skew toward additional rate hikes should macro conditions call for it. The yield on 10Y USTs gained 0.7% to 2.6518% whilst the dollar index closed flat.



ASIA

Stocks in Asia are mostly up this morning on the back of positive sentiment from the US – Hang Seng +0.53%, CSI +0.4%. Despite the positive performance in overnight markets, Asian credit markets opened on a mixed tone. EU The US-EU trade tensions came to the fore as the EU vowed to take measures if the US would place its tariffs on imported vehicles. The EU might refuse to allow purchases of American soy and LNG if any duties were to be placed. EUR slid to 1.1301 while the yield on 10Y DBR rose to 0.116% from 0.108%.



EU

Austrian Chancellor Kurz stated that the US and EU are far from a deal regarding the tariffs on European cars after meeting with US President Trump. While the EU is keen on a deal, the US negotiators intimidated their counterparts with possible sanctions in case of no deal being reached shortly. Today the ECB minutes will be published. Analysts are interested as to how officials will debate over shifting the balance of risks to their forecasts as well as any links to a new quantitative easing programme. The Eurozone PMI readings will also be conducted today. EUR slightly weakened to 1.1338 against the USD on Wednesday whilst the yield on 10Y DBR weakened to 0.0984%.



UK

Fitch has reportedly cautioned it may reduce the UK's sovereign rating as more MPs defect from the Labour and Conservative Parties. The agency said that the extent of any disruption caused by a no-deal Brexit is "highly uncertain". The move is seen as unusual as rating agencies update their credit opinions based on a fixed timetable. Meanwhile PM May and EU Chief Juncker had "constructive" talks and agreed to continue working on a solution to the Irish backstop. The pound weakened to 1.3050 against the USD, the yield on 10Y UKTs gained 2 bps to 1.1886



RUSSIA

The ruble advanced by 0.1% on Wednesday to 65.65 per USD level as it received support from the global risk-on and exporters' pre-tax hard-currency selling. The Ministry of Finance sold RUB 32.9 bn during the OFZ auctions yesterday, the strongest demand was seen in RFLB 7.6% 22. Sovereign Eurobonds advanced, RUSSIA 47 gained half a point to mid 98 area. The corporates traded mixed, GPBRU 6 ½ 20 and ALFARU 6.95 PERP outperformed, both gained half a point.

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