



1 NOVEMBER 2018

MARKET SNAPSHOT

TURKEY

The Turkish Finance Minister Mr. Albayrak announced a round of tax cuts on Wednesday which would be applicable to cars, white goods, furniture etc. The lira spiked immediately after the announcement, it lost 2.1% during Wednesday as the tax decision raised concerns from investors over the ability of the Turkish government to balance the economy and to take a disciplined fiscal approach. The lira closed at 5.5829 per USD. The sovereign bonds depreciated as well, TURKEY 28 lost 80 bps, TURKEY 47 weakened by more than a point, while most of the corporates appreciated. VAKBN 6 22 and YKBNK 8.5 26 both gained more than a point; EXCRTU 6.125 24, GARAN 6.125 27, ISCTR 6 22 and VAKBN 3.5 19 also strengthened by half a point.

GCC

In GCC space, Saudi Arabia's budget deficit fell sharply in the first half of 2018 on the back of the surge in oil and other revenues. The budget shortfall in the first three quarters of 2018 was \$13.1bn, a 60% drop from the same period last year. The KSA curve shifted up yesterday, KSA 47s fell by 25c to 92 lvl. Over in Bahrain, the Bahraini headline real growth rate increased in the second quarter of 2018 to an annual rate of 2.4%, a significant acceleration of growth from the previous quarter, underpinned by both the normalisation of oil production and markedly faster non-oil growth. BHRAIN 47 continued its decline yesterday however sliding another 60c to mid-92 levels. Bahraini OILGAS came to the market yesterday with new 2-tranche \$1bn deal, issuing OILGAS 24 at 7.625% and OILGAS 28 at 8.375%. The book oversubscription was not large, last heard only 2x, but the bonds performed well this morning, seen up 50c each on bids in the morning.

RUSSIA

The Russian Ministry of Finance sold RUB 12 bn of OFZ bonds during its auction yesterday. The 7% three-year bonds were issued at 8.29% yield with the bid-to-cover ratio of 1.85. The ruble lost 0.6% and closed at 65.88 per USD. RUSSIA 47 lost half a point (mid 92 level) while the corporates lost 10-20 bps on average.

MEXICO

The rating agency Fitch downgraded the Mexican outlook yesterday to "negative" from "stable" but kept the rating at BBB+. The decision was made after the president-elect announced a cancellation of new airport project. The investors are concerned over the strength of the rule of law in doing business and whether the new administration will respect long-term contracts. The peso lost 2.1% just after the announcement. MEX 48 slightly weakened (lower 87 level) while the corporate credits dropped more significantly. MXCHF 4 10/04/27, BIMBOA 4 7/8 06/27/44 and BNCE 3.8 08/11/26 underperformed, each lost more than a point, others lost 30-60 bps on average.

BRAZIL

The incoming Brazilian Economic Minister Mr. Guedes said on Tuesday that in case the crisis gets worse – Brazil could sell up to USD 100 bn of its foreign reserves and use the proceeds to reduce domestic debt. Some investors raised concerns about this idea as spending the quarter of reserves maybe dangerous for economic stability. Despite this, BRAZIL 47 strengthened by half a point while corporate bonds traded mixed: VALEBZ, GGBRBZ and ITAU curves weakened while CSNABZ bonds appreciated.

UK

In the UK, the Times of London reported that British banks will remain their access to European markets after Brexit as part of the agreement. The pound rallied by 0.7% following a report, while the 10Y Gilt generic yield was up 5bps to 1.475% this morning.

EU

In the EU, the yield on 10Y BTPS lost 5 bps on Wednesday (3.425% level) and is currently trading at 3.378% while the yield on 10Y DBR closed unchanged yesterday at 0.38% level but now is 2 bps up. The Cyprus curve continued its rebound yesterday, as investors found appetite for the paper again as risk-off mood subsided. The new CYPRUS 28 was up another 30c yesterday and is now back up to 100 territory.

Disclaimer : This overview provided by MeritKapital Limited (the "Overview") only summarizes recent market movements and contextualizes upcoming political, economic and central banks events. Any views expressed in the Overview are limited in scope. Under Article 12(3)(a) of the MiFID II Delegated Directive, such publications are considered a minor non-monetary benefit which can be freely distributed without charge.

This Overview constitutes neither investment, legal, tax advice nor other advice and it does not take into account the specific investment objectives, risk appetite and financial situation of anyone who may receive this report, and the latter shall not rely on it in making an investment or other decision.

MeritKapital Limited does not accept any liability whatsoever for any direct or consequential loss arising from the use of this document. This Overview is for information purposes only and is not, and should not be construed as, an offer to buy or sell any securities. The information contained in this Overview is published for the assistance of the recipient, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient.



1 NOVEMBER 2018 MARKET SNAPSHOT



In the US, the stock market gained for the second day, S&P added 1.1%, Dow rose by 1%. The private sector payroll statistics issued on Wednesday showed an increase of 227k vs 187k expected. The yield on 10Y USTs gained 3 bps and reached 3.149% while the dollar index remained unchanged.



Asian stock traded mixed this morning NIKKEI -0.85%, HANG SENG +1.84% & CSI +1.87%.

Disclaimer : This overview provided by Meritkapital Limited (the "Overview") only summarizes recent market movements and contextualizes upcoming political, economic and central banks events. Any views expressed in the Overview are limited in scope. Under Article 12(3)(a) of the MiFID II Delegated Directive, such publications are considered a minor non-monetary benefit which can be freely distributed without charge.

This Overview constitutes neither investment, legal, tax advice nor other advice and it does not take into account the specific investment objectives, risk appetite and financial situation of anyone who may receive this report, and the latter shall not rely on it in making an investment or other decision.

Meritkapital Limited does not accept any liability whatsoever for any direct or consequential loss arising from the use of this document. This Overview is for information purposes only and is not, and should not be construed as, an offer to buy or sell any securities. The information contained in this Overview is published for the assistance of the recipient, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient.