



14 NOVEMBER 2018

MARKET SNAPSHOT

TURKEY

The Turkish lira slightly weakened yesterday by 0.2% and continued in the same direction today after MSCI index headlines brought some negative impact on the Turkish stock market. Two banks were removed from MSCI index – Yapi Kredi and Vakif. The changes are likely to create an aggregate net outflow of approximately \$91mn. Sovereign bonds depreciated as well, TURKEY 28s and 47s lost 20-30 bps yesterday. Within the corporates, most of the credits remained unchanged, however AKBNK 6.797 28, GARAN 6.125 27, YKBNK 5.5 22 underperformed, each bond lost more than half a point.

GCC

In GCC space the risk off sentiment prevailed yesterday on the back of the weaker oil and Trump's criticism towards Saudi Arabia for their announcement to cut the oil supply further. KSA curve widened by 5-6bps in yield with KSA 47s trading at low 90s levels this morning (5.28% yield). Other names were also weaker with ADGB 47s dropping by c.0.2pp to low 92 area and BHRAIN 47s also 60c lower since Monday at low 93 area. In Lebanon, Prime Minister-designate Saad Hariri has said that government formation has hit a 'major roadblock'. The country remains without a government six months since May elections, holding back policy formation and the release of donor support. LEBAN curve is suffering, the yields went up 25-30bps yesterday with LEBAN 37s currently at 10.4%. On the new issue side NMC Healthcare finished their roadshow yesterday and are out with the 5Y Sukuk USD issue with IPTs at low 6% this morning, offering approx. 20-30bps premium so far to comparables like TEVA 23.

SSA

In SSA, the risk off sentiment yesterday prevailed with losses mainly seen in Oil exporters given fall in oil prices and perhaps a move in preparation for FED Powell speech due today. ANGOLA long end finished the day c.1pt followed by KENINT though a net importer of oil, is currently going through fall in reserves and increasing debt levels. The roadshow on new Nigeria yesterday was well attended by investors and we expect the new issue to hit the market in coming days. No significant movement occurred across the NGERIA curve as market keeps an eye on new issue finite details. ZAMBIN curve has taken a reverse with prices seen trading mostly down across the issues. We saw offers in the 24s and 27s from street getting lower during the course of yesterday. GHANA though traded down like the other SSA sovs continues to receive bids, albeit, defensive from the street, especially the 2026s in the range of 99-100. The wave on DIAMBK continues as we continue to see buyers of the paper, bonds are now trading 95/97 handle and street has joined the herd of buyers. MTN is said to seek out of court settlement with the Nigerian authorities and are close to a resolution on the \$10bn fine. There are also rumours that the company seeks a banking licence in Nigeria further showing their strong interest in the country.

RUSSIA

The Russian ruble proved to be relatively resilient yesterday to the significant drop in oil price, weakening only to 77 levels vs USD for the low of the day at 76 vs USD. The news that the US Congress is unlikely to pass new sanctions against Russia before the new year supported the Russian currency. RUSSIA 47 remained unchanged at lower 90 handle, most of the corporate credits lost 20-40 bps on average. The new GAZPRU 24 € that was issued yesterday did not gather a huge investor interest with books at final guidance remaining only in excess of 1.4bn given the 1bn issue size. The bond is trading below reoffer this morning in the secondary with bids at 20-25c below par. Today, the weekly inflation report would be issued.

UK

The UK and the EU have reached a technical agreement for a Brexit deal yesterday. Now, the UK Parliament should ratify it and it is expected to be a difficult process. A key cabinet meeting to agree the draft treaty is to be held this afternoon at 2pm UK time. The pound gained 1.4% to 1.3032 yesterday on the hopes of Brexit deal, currently it is slightly correcting. The yield on 10Y Gilts gained 6 bps to 1.5193% yesterday.

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EU

In the EU, Italy refused to change its growth and deficit targets but raised its privatization revenue goal to 1% of GDP (from 0.3%). Such move will reduce debt-to-GDP ratio by 0.7% in 2021. The yield on 10Y BTPS fluctuated during yesterday and closed almost flat at 3.44% but rallied this morning to 3.52% on the back of the resubmission news. The yield on 10Y DBR moved the opposite way – it closed at 0.408% and is currently trading at 0.3893%. Today the eurozone Q3 GDP and industrial production statistics would be published. The weak sentiment in Europe also drove the Cyprus curve lower, the new CYPRUS 28 is back to below par levels currently bid at 99.8

US

In the US, despite the sell-off in oil, the stock market weakened only just slightly, S&P lost 0.15%, Dow -0.4%. Oil prices have suffered from concerns of a global oversupply as well as softer demand forecasts and strong output from Russia, Saudi and the US. WTI fell by 7% yesterday, Brent lost 6.6%. OPEC expects oil demand to grow by 1.29m barrels per day in 2019 (70k barrels per day lower than was forecasted last month). The yield on 10Y USTs dropped by 4.6 bps to 3.1433% while the dollar index weakened by 0.4%.

ASIA

The Asian stocks are trading mixed this morning, Hang Seng is down by 0.2%, CSI lost 0.14% while Nikkei is up by 0.3%. The retail growth statistics from China came unexpectedly low, sales rose by just 8.6% (5-month low) while the median forecast was at 9.1%.

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