



## 26 NOVEMBER 2018

### MARKET SNAPSHOT

#### TURKEY

The Turkish President Mr. Erdogan found support from the MHP party after he met with MHP's leader Mr. Bahceli earlier last week. Mr. Bahceli said they will fully support AK Party candidates on local elections scheduled for March for mayors in Istanbul, Izmir and Ankara while the MHP will field its own candidates in the rest of the country. MHP's support is important for Erdogan's party to obtain the majority in Parliament. Despite that earlier Mr. Bahceli announced that the partnership would not hold for the local elections, he said that the latest decision was made to support the stability in Turkey and without any secret bargaining. TURKEY 47 slightly weakened on Friday to higher 74 area.

#### RUSSIA

The conflict between Russia and Ukraine was escalated yesterday when Russian warships opened fire on Ukrainian military vessels near the Kerch Strait. Russia believes it was a provocation while Ukraine said they notified Russia on their manoeuvres. The UN Security Council will hold an emergency meeting today. The ruble fell 0.5% today at the market open to 66.41 per USD while the bonds declined. The geopolitical risks may offset support for the ruble from monthly local-tax payments according to analysts at SocGen. RUSSIA 47 lost around 80 bps on Friday and closed at mid 90 level while most of the corporates remained unchanged.

#### LATAM

On the Latam front, Mexico is going to publish the September retail sales report today which is estimated to be 4% y/y versus 3.9% prior. Brazil will release weekly trade balance figures today. The data published on Friday showed that Brazilian inflation slowed more than expected in the month what makes analysts believe that policy makers will leave unchanged the key interest rate this year. BRAZIL 47 slightly weakened on Friday to low 90 handle, while MEX 48 and ARGENT 48 appreciated by 30-50 bps to mid 85 area and lower 72 level respectively.

#### UK

After the EU leaders approved the Brexit plan during their meeting on Sunday, the UK PM Mrs. May announced a two-weeks campaign that she will personally lead to win over politicians and voters prior the parliament voting. She will persuade the sceptics with the warning that "there is not a better deal available" while the EU leaders warned that if plan would not be re-negotiated if the UK Parliament would reject it. According to UBS, the financial markets expect the Brexit deal to be rejected by Parliament, but then the Parliament will approve it on a second attempt amid market pressure as most lawmakers understand that a hard Brexit would hurt the U.K. economy. The yield on UKTs declined by 5 bps to 1.3787% on Friday while the pound weakened by 0.5% to 1.2814 against the USD.

#### EU

In the EU, German economy experienced its first contraction since 2015 in 2018 Q3. Exports decreased by 0.9%, while imports increased by 1.3%. In conjunction with a lower than expected German PMI in both manufacturing and services, the EUR/USD dipped from 1.1410 as low as 1.1338. The credit rating agency Moody's warned that Italy's escalating stand-off with the European Commission over its deficit budgeted increases risk to the country's economy. Moody's expect Brussels to levy sanctions on Rome, it would be negative for Italy's credit rating. However, the yield on 10Y BTPS lost 5 bps on Friday to 3.4% level. The yield on 10Y DBR moved same direction, it traded down by 3 bps at 0.339% level.

#### US

In the US, the stock market weakened following energy sector. S&P dropped by 0.66%, Dow fell by 0.73% while the energy sector was down by 3.2%. Brent declined by 5.2%, WTI -6.3% amid growing pressure from the US President on Saudi Arabia to raise supply. The yield on 10Y USTs traded down by 0.9% at 3.052% while the dollar index appreciated by 0.2%.

#### ASIA

Asian stocks are trading mixed this morning with HANG SENG +1.4%, NIKKEI +0.7% and CSI -0.25% as investors are waiting for a planned meeting between the US President Trump and Chinese counterpart Mr. Jinping at the upcoming G-20 meeting which will determine the further direction on the markets. The PMI data released today in Japan showed a fall of flash manufacturing PMI to 51.8 in November (2Y low level).

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