



8 NOVEMBER 2018

MARKET SNAPSHOT

TURKEY

On Wednesday Turkey issued EUR 1.5 bn of new 8Y euro-denominated bond with final yield set at 5.25%, the book was oversubscribed three times. Despite the strong books the issue so far did not perform in the secondary market trading at about 20c below reoffer. It was the second government bond issued by Turkey within the last month, the previous one - USD 2bn issue performed well, it was trading up 60-80 bps on the day of issue as the tensions between Turkey and US eased after releasing the jailed American pastor and is currently trading at 101 levels. However, today the rating agency Moody issued a report on Turkey where they state that Turkey's economy has likely entered a recession; the agency also expects the Turkish economy to contract every quarter through to mid-2019. The lira traded flat on Wednesday at 5.36 per USD level. TURKEY 47 slightly advanced to lower 78 handle. The corporate bonds traded in the green zone as well: TCZIRA 5.125 22, TSKBTI 5.5 23, TSKBTI 7.625 27, VAKBN 6 22 and KFINKK 7.9 26 outperformed, each added more than a point.

GCC

In the GCC space, the day was quiet yesterday with the papers advancing amid the US midterm election results positive mood with KSA 47 up half a point on the day to 92 area and Bahrain curve continuing to catch the bid across the curve. BHRAIN 47 traded up 70c on the day to mid-93 area. As for new issues, NMC Healthcare LLC ("NMC"), a wholly owned subsidiary of UAE's NMC Health plc (rated Ba1/BB+ by Moody's/S&P, both stable) will start its road show next week and a 5Y dollar Sukuk may follow depending on market conditions.

SSA

SSA space remained stable to a touch tighter yesterday as market seeks direction from FED minutes today. Gabon traded down c. 1pt following unsubstantiated rumours that Bongo has passed away. GABON 2024 and GABON 2025 were hit with street seen shorting curve. Some wave of buying returned to ESKOM as RM were seen to be adding to positions. Overall SOAF curve was up on the day c. 1pt across the long end. News of DIAMBK receiving a cash injection offer from Carlyle led to more demand in the paper from locals and less selling interest from internationals. The bonds were also seen marked up to 92.5/94.5 handle after being marked as low as 91/93 the previous day. Supply remains thin and local bids got a tad aggressive. We anticipate the same trend today. UBANL 2021 continues to catch a bid with very thin supply in the market. Activity returned to KENINT, the 2024s were seen trading actively in a two way since end of October. Buying of IVYCST 2028s and MOZAM 2023 continues to build, though bids remained defensive and supply remains fragmented.

RUSSIA

The Russian Central Bank sold RUB 6.535 bn of new 6.9% 11Y OFZs during the auction yesterday with 1.38 bid-to-cover ratio. The weak demand follows the mid-term elections in the US and uncertainty regarding the new possible sanctions as many investors believe the Democrats are more likely to push for harsher penalties. However, Donald Trump and Vladimir Putin agreed to hold a full meeting during the G20 summit at the end of this month. The ruble slightly weakened on Wednesday, it closed at 66.31 per USD level. RUSSIA 47 continued its slow slide yesterday with bonds trading as low as 92, already slid to 91.8 area this morning however. The corporate bonds traded almost flat.

BRAZIL

Brazil is going to issue the official inflation report today while the unofficial one showed a surprise slowdown in price increases. The analysts expect it to raise by just 0.43% in October. BRAZIL 47 slightly advanced on Wednesday and reached mid 91 levels. Within the corporates, PETBRA, BRASKM, BRFSBZ curves gained 20-30 bps on average, SAMMIN curve and long end GGBRZ bonds gained 40-60 bps.

EU

In the EU, the ECB nominated Andrea Enria to become the top supervisor for euro-area banks. The Italian finance minister expressed his "great satisfaction" regarding this. The yield on 10Y BTPS dropped by 7 bps during Wednesday's trading session and reached 3.33% area (currently trading at 3.36%). The yield on 10Y DBR moved in the opposite direction, gaining 4 bps to 0.46%. The Cyprus Curve continued to perform yesterday with the new CYPTRUS 28s seen bid as high as 100.75

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US

In the US, the stock market rallied on Wednesday, both S&P and Dow indexes gained more than 2%, gaining on speculation a divided Congress could be good for equities. The yield on 10Y USTs gained 3 bps during the day after the initial drop and closed at 3.237% area, relatively flat on the day, while the dollar index weakened by 0.2%.

ASIA

In Asia, the indexes are following the US trend - NIKKEI +1.93%, HANG SENG +0.79% & CSI 300 +0.06%.

NEW ISSUES

In the New Issue space today, we have a few deals in the pipeline as today's business. Most of the issuers are IG this morning with Allergan, BMW and ING coming to the market with a multi-tranche EUR deals (EUR and USD for ING), as well as Land NRW coming with a EUR 10Y and NIBC bank being so far the only GBP issue of the day, coming to the market with a 5Y bond. From Asia we have BAIDU, issuing a dual tranche USD deal a 5.5Y and a 10Y with the books open until US hours; and CDB Aviation issuing a USD 3Y FRN issue. The only HY issue so far is the dual tranche International Design Group, a Leading lighting and furniture producer in the high-end design market (B2/B rated), that announced a dual tranche Fixed and FRN Senior EUR issue (7NC3 and 7NC1 respectively) that is on roadshow until tomorrow and could price afterwards.

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