



9 NOVEMBER 2018

MARKET SNAPSHOT

TURKEY

The Turkish lira slipped against the USD for the third day in an environment of a risk-off sentiment and the uncertainty prior to the FED meeting. The Lira lost 1.8% yesterday and closed at 5.46 per USD level. The new euro-denominated government bond that was issued yesterday (TURKEY 5.2 26€) underperformed, it is still trading 30 bps below reoffer. Both TURKEY 47 and TURKEY 28 weakened by 70 bps; most of the corporate credits depreciated as well, they lost 30-50 bps on average. KFINKK curve outperformed, 21s and 26s bonds strengthened.

GCC

In GCC space the risk-off sentiment pushed the bonds lower as well with KSA 47s trading down 3c to 91.7 area while OMAN 47s slid 40-50c. Bahraini curve was the outperformer with the continued bid, supported by the statement of their Central Bank Governor Rasheed Al-Maraj that Bahrain is not considering to issue more debt this year, driving the bond prices up despite the EM sell-off. BHRAIN 47 traded up 50c yesterday and is at high 93 levels today. Bahraini corps responded quitter with both new OILGAS 24s and 28s remaining flat on the day at 102 and 101.3 levels respectively.

SSA

SSA sovereign space traded 10bps - 15bps wider yesterday with street offloading positions leading up to US FED interest rate decision. GABON traded c.0.5pt down as market continues to quantify the true extent of rumours regarding the President's Fate. ANGOLA was continuously hit, with street mostly seller of the paper with oil also trading lower. We saw more supply of GHANA 2026s hit the market, a change in interest after catching a bid throughout the week. It seems RM are eyeing taking positions post FED given the number of enquiries we saw yesterday on KENINT, GHANA and IVYCST. This now remains a likely event given the FED being a non-event. ZAMBIN was the out-performer yesterday buoyed by news of IMF visit and statement of the Finance Minister stating the country's external debt at 9.5B as at September. This is credit positive for the paper as one of the main issues has been lack of transparency. Bids on the 2024s paper went as high at 75 with offers seen at 80 post news. We expect this positive trajectory to continue. NIGERIA long end was the under-performer yesterday following announcement that the new 2.8B Eurobond will be issued this month. The NGERIA 2047s was c. 1% down with mids now seen at 88.5. What is telling however is the perception of the locals to add positions even ahead of the issue as they expect a positive performance of the issue. DIAMBK continues its rally, with market now seen at 93/95. With buyers seen yesterday willing to pay as high as 95 to pick up the paper. we see market stabilising in 93.5/94.5 area till November 21 when coupon payment is due.

RUSSIA

The yields on Russian OFZs and Eurobonds showed biggest weekly increase in a month after the Democrats gained most of the seats in the US House of Representatives, the fact that turned investors' attention back to the possibility of new sanctions against Russia. Today, Russia is going to announce the September figures of the trade balance. Analysts expect it to be SD 17.8 bn. The ruble lost 1.1% on Thursday and reached 66.89 per USD. RUSSIA 47 lost more than a point (upper 90 area) with the sellers seen hitting the bids. Within the corporates, bonds traded weaker by 15-30c on average. ALFARU 8 PERP and ALFARU 6.95 PERP underperformed, both bonds lost more than half a point yesterday. This Morning the shares of Sberbank slipped 1% on Micex following US sanctions last night against Mriya, a hotel Sberbank owns in Yalta for hosting Moscow's showcase investment forum in Crimea as well as other Crimean hotels and three officials in Russia's security forces and its proxies in eastern Ukraine.

MEXICO

The leftist Mexican Morena party of incoming President prepared to table a bill to outlaw banks commissions of the biggest domestically-owned bank, Banorte, in an attempt to increase the competition in the sector. Banorte shares dropped by 12% yesterday while the credits, BANORT curve, weakened by 30-50 bps. The Mexican industrial production statistics would be issued today. The September figures are expected to be 1.8% YoY versus 0.2% prior. MEX 48 lost 80c yesterday while the corporate credits slipped insignificantly. Only long end PEMEX bonds underperformed, 35s, 41s, 44s and 46s lost more than a point and a half.

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.



9 NOVEMBER 2018

MARKET SNAPSHOT

ARGENTINA

The IMF mission begins technical meetings in Argentina to review the economic plan. At the same time, the Argentinian government says that the US will review antidumping duties of biodiesel to regain access after Trump's measures. ARGENT 48 lost a point during the previous trading session and reached mid 75 area. JUJUYA, NEUQUE and BUENOS bonds weakened by half a point on average while CHUBUT and short end YPF bonds appreciated.

EU

In the EU, the yield on 10Y BPTS raised significantly after the European commission warned that Italy's aggressive budget might lead to them breaching the 3% deficit target. The yield gained 6 bps and closed at 3.39%. Italian Minister of Finance Mr. Tria will meet with Eurogroup in Rome today. The yield on 10Y DBR slipped 1 bps and closed at 0.45% yesterday (currently trading at 0.435%).

US

In the US, the FED left the interest rates unchanged during its yesterday meeting. It also signalled that it will rise the rate in the short term, most probably during its December meeting. Both actions were widely expected by the analysts. However, the October sell-off was not mentioned by FED which surprised the experts. The Fed also forecasted "further gradual increases" after the December hike, citing strong economic activity and job growth. The stock market slightly weakened, S&P lost 0.3%, Nasdaq declined by 0.5%. The yield on 10Y USTs gained 0.4 bps and reached 3.239% while the dollar index rose by 0.7%.

ASIA

The Chinese inflation in October rose in line with forecasts as official figures showed - the CPI rose 2.5% compared to a year earlier. Asian stocks are falling this morning following the decline of US stocks. Topix is down by 0.2%, ASX losing 0.4% while Hang Seng dropped by 1.8%.

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.