



10 DECEMBER 2018

MARKET SNAPSHOT



OIL

Crude oil prices rebounded on Friday as OPEC finalized an agreement to cut 1.2 million barrels per day (800k by OPEC and 400k by its partners). Brent was trading higher by 5% during the day but closed just 2.5% higher at USD 62.52 per barrel.



TURKEY

The Q3 Turkey GDP data came today significantly lower than expected (1.6% vs 2.2% expected) after 5.2% growth in previous quarter. However, the lira is trading higher by 0.3% today at 5.28 per USD levels. TURKEY 47 gained more than a point on Friday to mid-77 level, most of the corporate bonds appreciated as well. AKBNK 7.2 27 and EXCRTU 6.125 24 were outperformers on Friday, bonds gained 150c and 70c respectively, others added 20c on average.



RUSSIA

The Russian ruble reached its two weeks' high today at 66.28 per USD level as oil prices rallied on Friday. The investors are awaiting the CBR's monetary policy decision due Friday, when the near-term strategy will be clarified. RUSSIA 47 gained 80 bps to lower 93 levels on Friday. Within the corporates, bonds traded mixed - ALFARU 6.95 PERP, GPBRU 0 PERP and VIP 7.748 02/02/21 each lost 30-40 bps while GAZPRU 8 5/8 04/28/34 and GAZPRU 7.288 08/16/37 both appreciated by a point.



LATAM

On the Latam front, the rating agency S&P warned that it sees big fiscal challenges for Brazil with the new Congress. At the same time, the CPI fell by 0.21% in November which supports the expectations of no interest rate hike in Brazil in 2019. In Argentina, the central bank removed a 60% floor for its benchmark interest rate after it met inflation goals agreed with the IMF. BRAZIL 47 gained half a point on Friday to lower 92 area while MEX 48 and ARGENT 48 each appreciated by 60 bps in price to 88 and mid-72 handle respectively.



EU

The European Commission wants Italy to cut spending in their budget draft by at least EUR 8 bn while Italy is ready to only trim EUR 4 bn. Today the Italian government will discuss the cost analysis of its 2019 budget prior to PM Mr. Conte's meeting with his EU counterparts on December 13th. The yield on 10Y BTPS dropped by 7 bps on Friday to 3.128% (currently trading at 3.148%) while the yield on 10Y DBR fluctuated between 0.234% and 0.267%, currently at 0.248%.



UK

The Brexit vote is on for tomorrow in the UK Parliament. However, some ministers expect Theresa May to delay the ballot as she faces a risk of a crushing defeat. The alternative is to postpone it. On the other hand, Brexit Minister Kwarteng believes that the PM still has a chance to get her deal through. The pound dropped on Friday to 1.2726 against the USD while the yield on 10y UKTs gained 2 bps to 1.2635% (currently at 1.243% level).



US

The US equities dropped on Friday amid concerns over the strength of the trade truce with China and common global sentiment – S&P 500 lost 2.33%, Dow slid 2.24%. The Huawei's CFO, who was detained in Vancouver, was denied bail last Friday. The case will continue today. The yield on 10Y USTs lost 2 bps to 2.86% level on Friday after NFP came below expectations (155k vs 200k expected) and monthly wages increased less than forecast.



ASIA

Asian markets are following the US, Topix fell by 1.9% already, Hang Seng is down by 1.41%, CSI 300 is trading lower by 1.17%.

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.