



17 DECEMBER 2018

MARKET SNAPSHOT

OIL

Oil has halted its slide on Friday with CO1 futures stabilizing around 60.25\$ a barrel as Investors weighed the effectiveness of OPEC+ coalition's production cuts against the growing fears of rising American shale supplies and slowing demand as well as the Chinese growth slowdown. All eyes are on Saudi's now, as investors are awaiting if the kingdom will go through with its plans to slash exports to the US in the next few weeks as an effort to dampen the build-up supplies.

US

In US the news are positive with China announcing last week that it will temporarily suspend additional 25% tariffs on US vehicles and auto parts from the beginning of 2019. Trump welcomed the announcement, adding to the positive feeling that the deal could be reached soon. The data also came on the US consumer spending in November, posting a better than expected gains of 0.2%. USTs are struggling to break out of the 2.9% upper bound however with 10Y yields trading at 2.89% levels with the softer economic data from China still dominating the price movements. US stocks were also in the red on Friday with DOW -2.02%, S&P -1.91% & NASDAQ -2.26%, however posting the signs of a stronger momentum this morning.

EU

In EU, Italy is the source of positive news as markets are reacting positively to the new Italian Budget proposal with the new 2.04% deficit target, down from 2.4% posted previously. BTPS bonds continued their rally with 10Y yields currently at 2.75%, just 15bps away from the September levels of 2.59%. The peripheral yields followed the decline of BTPS with PGB 27s and SPGB 28s at 1.465% and 1.41%, down almost 35bps and 25bps from November highs of 1.82% and 1.65% respectively. The Cyprus curve is also doing well with the better buyers visible throughout the whole of last week in the longer-end of the curve. The new Cyprus 28 is seen trading at above 101 levels for the first time since the initial rebound in early October post issuance. In the UK however, the mood is not so bright, as pressures are building on Theresa May from within her cabinet to let the MPs vote on all Brexit options, including the no-deal separation and a possibility of a second referendum. May continues to reject the idea of the second referendum however, calling it a breach of British public's trust. UKT 28s yields are currently at 1.25%, up 8bps from the lows of last week of 1.17%.

RUSSIA

In Russia the market continues to be in the green, with the Sovereign bonds gaining in general on the week and opening even stronger this morning. RUSSIA 47 is currently bid at 93.625 lvls, up 37.5c from last Monday's levels. In the corporates' space the move was similar with the outperformers being GAZPRU, VEBBANK, LUKOIL. LUKOIL 23s is the top performer, gaining more than a point in price last week to 98.8 levels.

CIS

CIS countries were also going strong with the net buyers seen across the whole space. KAZAKS improved by another 20-65c in price across the curve with Kazaks 24 up to mid-100s. Belarus was the outperformer of the space, with BELRUS 30s up a point last week to high 92 area, as the country is in negotiations with Russia about the changes in the balances between the countries, which might come as a result of the oil and gas taxation changes in Russia, with Minsk seeking compensation for the estimated fallout of almost \$300mio in fiscal revenues as a result of the changes.

MIDDLE EAST

In the GCC space, ADGB, KSA, QATAR and BAHRAIN continued to be well bid with bonds trading up 25-75c on average as the street is starting to run out of inventories to accommodate the net buying. KUWAIT curve has also seen some buying activity, even at current tight levels with the activity seen in Kuwait 22s and 27s. OMAN was the underperformer of the region, as the painful repricing continued. OMAN 47s lost another half a point on Friday, now down more than 3 points since the beginning of December to high 84 levels.

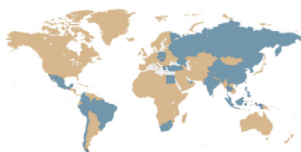
TURKEY

Turkey on the other hand is in the green zone with TURKEY 47 up to high 78 levels this morning, up 2 points on the week, as the Turkish Central bank confirmed that they will stick to the conservative monetary policy during the meeting last week and on the back of positive global sentiment. The front end however is outperforming with demand being reported to come from Asian and local accounts. Banks also showed positive performance with YKBANK bonds being the outperformers, jumping up almost 3 points last week.

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