

21 DECEMBER 2018  
MARKET SNAPSHOT

US

Equities found new lows this year due to fears of a possible US government shutdown, if the Senate does not give President Trump the money for his Wall. The S&P 500 and the Nasdaq fell 1.6%, while the dollar slipped to its lowest intraday level since November 20th. In other news Jim Mattis has resigned yesterday as US Defence Secretary in a protest over Trump's wide array of policies and over his decision to withdraw troops from Syria. US treasuries showed some gains in yield yesterday with US 10Y yields at 2.797% this morning, up 4bps from the 2.75% lows of yesterday.



ASIA

Asian stocks remain in the red amid ongoing risks and renewed US-China tensions (HSI -0.12%, NKY -1.11%, SHCOMP -1.29%). Fixed income spreads are generally +2bps wider. In the sovereign space, cash prices are 25-50c lower on the back of rates. Today, China demanded the withdrawal of U.S. Justice Department charges overnight that alleged Chinese officials coordinated a decade-long espionage campaign to steal intellectual property and other data from dozens of companies. Although the US Treasury Secretary Steven Mnuchin said the indictments are a separate track from trade talks, which are scheduled to pick up again in January.



OIL

Oil is steady this morning after yet another slump yesterday, plunging to their lowest levels in more than a year, as the same fears of slowing global growth and rising interest rates prevailed. Brent fell almost another 4% to as low as 54.39\$/barrel, but up 0.8% this morning to 54.8\$/barrel, while WTI slid 3.5% to 45.77\$/barrel, before rebounding the same amount as Brent to 46.35\$/barrel this morning.



UK

In the UK this afternoon, HMRC is due to publish an updated version of advice on how firms should prepare for a no-deal scenario. However, Mel Stride, Financial Secretary to the Treasury, has stated that the UK leaving without a deal is an unlikely event, yet one business should have contingency plans for. The Bank of England has also detailed that Brexit uncertainty has intensified recently, however, falling oil prices have helped to support the economy and control inflation. The UK's current account deficit has widened by £6.6 billion to £26.5 billion in Quarter 3 of 2018, the largest deficit recorded since Quarter 3 in 2016. The Pound is trading this morning at around 1.2693 USD, while the yield on 10Y UKT has increased to around 1.286%



EU

In Europe Thursday was mostly non-eventful. In Hungary 92% of industrial companies have reported that they will be affected by the labour shortage, which is substantially higher than the second ranked Poland at 51%. The yield on 10Y BTPS is trading at a similar level to its Thursday opening value this morning, at 2.795%, while 10 Y DBR have lost 1bps this morning, trading in the 0.242%-0.244% range.



RUSSIA

Russia outperformed yesterday on positive geopolitical news with the sovereign curve tightening 4-6bps in yield despite the oil price tumbling and the FED rate hike. Although it went a bit lower this morning with Russia 47 trading at 94.125 levels, down 12.5c from yesterday. In the banking sector the papers also demonstrated a positive dynamic with VEBBANK curve among the leaders, dropping 4-8bps in yield on average. In the metals sector the most notable performance was that of Rusal bonds with RUSAL 22 gaining 14 points in price during the day and is seen bid at 89 this morning, although still not allowed to be traded by those the sanctions are applicable to. Simultaneously, Polyus' bonds also enjoyed a solid bid, as Fitch raised the company's long-term foreign currency rating to BB, from BB-. PGILLN 22, 23 and 24s tightened 13-18bps in yield terms.



CIS

The Russian momentum did not spread to the CIS countries though, as falling oil prices and rising base yields pushed the space lower. Kazakhstan was an outperformer, with little changing on the day, while Azerbaijan and Belarus curves jumped 1-11bps and 6-8bps respectively. Ukraine sovereigns struggled the most, with yields rising 15-25bps.

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#### MIDDLE EAST

In GCC, the Oman curve continued its slide after a small relief the day before with OMAN 47s losing another 80c to trade again at low 82 levels on the back of weaker oil and higher rates. Lower beta names also declined with KSA 47 falling more than 50c to trade below 92. Bahrain was an outperformer with continuous demand, keeping the curve marginally unchanged. BHRAIN 48s was seen trading at 97.2 levels

#### TURKEY

Turkish sovereign papers have seen some correction yesterday after a remarkable performance this week, with prices slightly sliding during the day off of the morning highs and sellers appearing with profit. TURKEY 26 EUR was seen trading as high as 100 yesterday morning reaching new highs, before rebounding to end the day with trades at 99.875, while TURKEY 47 traded at 83 before selling on to mid-81 levels again. The corporate banking sector continued to lag behind the sovereigns however with performance very limited. TUPRST 24 gained only 25c to 88 levels, while YKBK 26 gained a point to trade at low 94s.

#### LATAM

In Latam overnight we saw continued demand for risk despite the wider macro backdrop. Financials fared well, closing -5/-7 bps tighter on the day, while Latam corporates finished mixed (-9/+17bps. The sovereign space however underperformed the corps and fins with BRAZIL 28s losing 30c to 96.3 levels while MEX 28 tried to close the day higher by 20c before losing it in the US evening and closing 10c lower on the day at 93.8 mids. In micro news Petrobras suspended all oil and refined products trading with Vitol, Trafigura and Glencore just hours after Brazilian prosecutors charged 12 people in relations to an alleged bribery scheme aimed at benefiting global traders, FT reported. PETBRA curve ended the day 5bps higher in yield.

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