

06 DECEMBER 2018
MARKET SNAPSHOT
 **TURKEY**

Today Turkish president Erdogan will speak in Ankara on the upcoming local elections in March. He is expected to announce some major candidates for the ruling AK Party. The lira is weakening by 0.8% this morning against the USD along with most EM currencies.

 **RUSSIA**

Russia had not discussed yet any particular size of a potential output cut with OPEC members prior to today's meeting in Vienna. Yesterday, the OFZ auction was not as successful as Russian Ministry of Finance expected. They sold just 80% of planned RUB 25 bn of OFZs – RUB 14.9 bn in 10Y local currency bonds with bid-to-cover 1.3 ratio and only RUB 5.1 bn (vs RUB 10 bn expected) in 5Y OFZs. The ruble gained 0.6% to 66.55 per USD level. RUSSIA 47 lost around 40 bps on Wednesday in thin trading.

 **LATAM**

On the Latam front, the Brazilian state oil company Petrobras released a new five-year business plan to boost production and reduce debt. The company planned to raise USD 26.9 bn through asset sales and reduce its leverage to below 1.5x adjusted EBITDA in 2020 from 2.7x now. Mexican new president Mr. Obrador suspends oil auctions for three years, saying that companies which participated earlier in auctions should stop speculating and start producing. Previous contracts would not be cancelled.

 **UK**

In the UK, Prime Minister Theresa May made public the legal advice given to her by the Attorney General. With tensions high, as the 11th December vote approaches, the legal advice regarding the Irish borders served as ammunition for the opposition. A particular concern is section 7 of the letter, which explains the customs territories situation in case of the UK agreeing to the Protocol to the Withdrawal Agreement on Ireland – there would be a separate customs territory between Great Britain and Northern Ireland. With Brexit knocking on the doors, additional customs negotiations are an unnecessary complication in the eyes of most MPs.

Brexit uncertainty has demonstrated itself in macroeconomic data as the UK service PMI missed expectations by more than 2 points, while the yield on 10Y UKTs started the day at 1.2918% and closed 1.2925%, peaking at 1.329%. GBP/USD gained 0.1% and went from 1.2719 to 1.2734.

 **EU**

In the EU, the macroeconomic data were solid – Spanish, French, and German service PMI all either met or surpassed their respective predictions and German Factory Orders beat the expected value by 0.7%. The yield on 10y DBR fluctuated between 0.2608% and 0.2753%, while the 10y BTPS yield moved in the 3.1528% - 3.0577% range, closing the day at 3.066%.

 **US**

US markets were closed yesterday in honour of former President George H.W. Bush. Futures on S&P 500 lost 1.2% yesterday. President Donald Trump has urged OPEC to maintain oil output, saying on twitter “the world does not want to see higher oil prices”. The oil prices are falling this morning by 1% ahead of OPEC is meeting in Vienna. Market expects the oil cartel to cut supply by 1 million barrels per day.

 **ASIA**

In Asia, stock markets are selling off today after Canadian authorities arrested a top executive of Chinese tech giant Huawei Technologies in fear this may cloud US-China trade war, Heng Seng and CSI 300 both losing more than 2%.

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