



20 DECEMBER 2018

MARKET SNAPSHOT



US

It was a day of unexpected announcements in the US yesterday. President Trump has ordered a withdrawal of all the US ground troops from Syria, claiming the US victory over ISIS in a tweet. At the same time the Trump administration has announced that they are ready to remove sanctions from RUSAL and EN+ in 30 days. And finally, the FED's rate decision was made yesterday with the committee hiking the rates by 0.25% to 2.5% but trimming the hike forecast for the next year to 2 planned hikes instead of 3, with an emphasis on data. The FED's move however failed to be interpreted as dovish enough by the investors with UST yields falling again last night and the curve flattening further (UST 5y -4bps, UST 10y -5bps, UST30y -8bps). 10Y generic yields are currently at 2.76%, now trading 3bps inside 3M Libor. The move has also sent the US stocks tumbling, erasing their early gains and closing in the red as DOW lost 1.49%, S&P -1.54% and NASDAQ -2.17%. Asian equities followed the US this morning with NIKKEI down 2.74%, HANG SENG -1.13% & CSI -0.96%



OIL

Oil also had a volatile session, as after the prices initially increased on the back of a report from the Energy Information Administration that showed US crude oil inventories fell last week, all the gains were erased as the concerns of a weakening global growth won over the positive news. Brent opened at 56.5\$/barrel this morning.



UK

The UK has published its visa scheme for EU nationals following Brexit. While the original proposal aimed to limit the entry of unskilled labour by only granting visas to EU nationals who earn at least £30 000 annually, the current proposal softened the number down to £20 700. Additionally, the UK will be granting 1-year provisional visas to EU job seekers, regardless of income, until 2025. FTSE100 followed the US equity market with a 1.6% drop, while the yield on 10Y UKT closed on Wednesday at 1.285%. The Pound rallied behind US FED's rate increase, increasing from 1.2620 USD levels to currently trading around 1.2690.



EU

The EU and Italy have reached an agreement regarding Italy's budget. While the targeted reduction of Italy's 2019 budget deficit from 2.4% to 2.0% of the country's GDP does not resolve the problem, it allows both sides to save face and avoid political tensions in the current Brexit atmosphere. The yield on Italian 10Y BTPS decreased by 7bps since the budget agreement announcement, trading around 2.735% this morning. The European equity market was also hit by the FED's decision, with DAX30 and Stoxx600 down 1.5% and 1.4% respectively.



RUSSIA

Russia opened higher this morning (RUSSIA 47 seen trade at 94.3, up 60c from yesterday), as Trump administration's announced lifting sanctions from Rusal and EN+, which is seen as a sign of the improvement of Russia-US relations by the investors. The action will come into effect in 30 days unless blocked by the Congress. A thing to note however is that Oleg Deripaska, the owner of RUSAL has agreed to significantly reduce his ownership stake in the company and personally will remain under US sanctions. RUSAL shares jumped as much as 27 percent in Hong Kong before paring gains, while EN+ was up 26% in Moscow. In fixed income the bidding has already started this morning in RUALRU, with RUALRU 22s already seeing bids at 79.



CIS

In CIS, Azerbaijan underperformed with yields on AZERBJ 24 and AZERBJ 29 increasing by 16bps and 6bps respectively. Ukraine also traded weaker, with yields widening 2-6bps on average, while Kazakhstan and Belarus stood marginally unchanged.



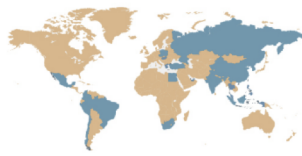
MIDDLE EAST

In GCC, the Oman curve has seen some relief yesterday from the continued selling pressure of the last weeks as slightly better bids allowed the curve to stabilise from the recent lows. Most action was seen in the belly of the curve with OMAN 23 and 28s trading at 93 and 90 levels respectively. KSA, Bahrain and the UAE also raised their key rates, tracking the FED. Buyers were seen in the KSA curve as well, also mostly in the 22s-28s region.

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TURKEY

Turkish sovereign papers experienced a vast increase yesterday, gaining 1-3points on average after the US Congress has given their approval for the potential sale of a \$3.5bn worth defence system to Turkey. New Turkey 26 traded up to as high as 100 this morning, up more than 1.5pts while Turkey 47 reached 82 level bids for the first time since this summer, gaining 2.5points in price yesterday. In the financial space the buyers are still dominating the short end of the curves with bids seen particularly in GARAN 19 and VAKIF 19 in EUR.

LATAM

In Latam nothing particularly interesting happened yesterday. The ARGENT curve rebounded slightly yesterday with ARGENT 28 yields sliding 7bps just to erase the gains after the FED news to close the day relatively flat at 10.57%, while lower beta countries' sovereigns kept steady with BRAZIL 28s trading around 5.1% yield and Mexico outperforming slightly as the momentum from the positive sentiment after the latest budget submitted to Congress calmed the concerns about the government's commitment to a sustainable fiscal budget. Although some economists believe that additional evidence of commitment may still be necessary. MEX 28 is trading at 4.57% yield this morning, down a total of 2bps from the highs of yesterday, but up 3bps from yesterday's lows.

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