



16 JANUARY 2019

MARKET SNAPSHOT

UK

Theresa May's Brexit deal was rejected in the House of Commons by 432 votes to 202 last night. It was the biggest defeat suffered by any UK government. The Labour leader Mr. Corbyn tabled a vote of no confidence in the government which the analysts expect Mrs. May to win this evening. Now the Prime Minister is expected to announce immediate talks with senior MPs to identify what can be changed in the deal to be accepted by the House of Commons. The pound fluctuated between 1.29 and 1.267 USD and finally closed at 1.286. The yield on 10Y UKTs dropped by 5 bps to 1.2562%. Later today the CPI data would be released in UK.

US

The US stocks advanced on Tuesday supported by tech sector and news about the stimulus measures from China. Dow gained 0.65%, S&P strengthened by 1.07%. The 10Y USTs gained 1.1 bps in yield to 2.713% while the dollar index advanced by 0.4%.

ASIA

The injection of a record USD 84 bn into the China's banking system via open market operations this morning did not stop the Asian stock market from falling. Hang Seng is down by 0.3%, Nikkei dropped by 0.6%, CSI 300 weakened by 0.1%. However, Asian credit markets are trading in the green today – IG spreads are trading 2-3 bps tighter.

EU

The new issue of Italian bonds on Tuesday attracted a lot of investors' attention. The country issues EUR 10 bn of new 16Y bonds for which the book was oversubscribed 3.5 times despite the country's political ructions of 2018. The bonds performed well just after release and currently trading half a point above the re-offer. The EU trade balance data released yesterday showed an increase to the highest level since August, standing at EUR 15.1 bn. The ECB President Draghi said yesterday that the Eurozone's economy still needs a substantial degree of monetary stimulus in the face of weaker than expected macroeconomic data. Italian and German CPI data will be released today.

RUSSIA

The Russian MinFin announced a RUB 35.1 bn OFZ auction today – RUB 15 bn in RFLB 6.5% 24s, RUB 15 bn in RFLB 29s and RUB 5.1 bn in RFLBI 28s. Despite that the Q1 borrowing plan requires the ministry to offer RUB 41 bn each week, the Deputy Finance Minister Storchak believes that they could increase the volume going forward. The ruble strengthened to 66.96 per USD yesterday supported by oil prices and foreign bids on OZFs. RUSSIA 47 gained half a point to mid 97 level on Tuesday while the corporate bonds mostly remained unchanged. The outperformers were SBERRU 5.717 21 and GPBRU 6.5 20, each gained half a point.

TURKEY

Turkey MPC will decide on rates today, which analysts expect unchanged at 24%. Monetary easing in any form seems likely after April as the inflation is likely to fall from April onwards. Some experts believe that any surprise rate cut could drop the currency. The lira slightly weakened on Tuesday to 5.4471 per USD while TURKEY 47 gained more than a point to 80 area. Within the corporates, TURKTI 4.875 24 and KCHOL 5.25 23 both gained half a point, while ODEABK 7.625 27 lost 60 bps.

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