



18 JANUARY 2019

MARKET SNAPSHOT



US

The US Treasury Secretary Mnuchin proposed an idea to roll back tariffs on China to support markets and proceed with a deal with Beijing, the WSJ reported yesterday evening. The media report boosted the market but later it gave up some gains when officials denied the initial story. The market still closed in the green – S&P gained 0.76%, Dow advanced by 0.67%. The yield on 10Y Treasuries closed 1.8 bps higher on Thursday at 2.7468%. In other news the US President Trump cancelled his trip to the global economic summit in Davos as the shutdown continues



UK

British PM Theresa May will also be skipping Davos as she needs to find a compromise on Brexit deal ahead of the deadline for Plan B due January 21st. Reuters reported yesterday that she held “constructive” talks yesterday with lawmakers to help find a way to win the support of parliament. The pound advanced to 1.2986 against the USD on Thursday while the 10Y UKTs gained 5 bps in yield to 1.35% and now trading even higher at 1.366%.



OIL

Oil traded lower on Thursday after the release of the US oil production data which showed a new record. WTI lost 0.5%, Brent slid 0.2%. This morning both traded 1.3% higher after OPEC said in a monthly report that its production fell sharply in December. Overall, oil headed for its longest weekly rally since October.



ASIA

Asian markets advancing today on trade hopes with the US despite the mixed signals, Hang Seng is up by 1.3%, Topix trading higher by 1.1%. On the fixed income side, the overall sentiment remained firm with IG spreads tightening.



RUSSIA

For the third day in a row Russian ruble remained one of the strongest EM currencies. Despite the strengthening of USD against EM major ccys, ruble closed higher – at 66.35 level. The government bonds remained mostly unchanged while the corporates traded mixed – SBERRU 21 and 22s, PROMBK 19, SIBNEF 22, GMKNRM 22 each advanced by 40-60 bps while LUKOIL 26, VTB 6.95 22, GAZPRU 37 each lost 20-30 bps. The 4Q current account balance will be published today.



LATAM

In Latam yesterday Mexico and Pemex were in the spotlight with Mexico successfully issuing a new 10Y sovereign bond at 4.577% yield, the books were a whopping 10x oversubscribed and the secondary performance strong with the bonds trading up to +40c above reoffer. Pemex was also about 20-30bps tighter across the curve on the back of the news that Mexico will unveil government aid for Pemex in 2-3 weeks. Higher beta names opened the session weaker with Argentina 15-20bp wider and selling visible in the belly and the long end. The situation reversed quickly however on the US-China trade fears abating.

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