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MARKET SNAPSHOT



US

Last evening the US administration rejected an offer from two Chinese vice-ministers to visit Washington this week for preparatory trade talks following a lack of progress on two important issues: “forced” technology transfers and potentially far-reaching “structural” reforms to China’s economy, the FT reported. US stocks dropped during the first trading session after the national holiday, with Dow losing 1.22% and S&P sliding 1.42%. US 10y Treasury yield dropped by 4 bps to 2.74%.



UK

UK Labour politician John McDonnell said the party is likely to push for an extension of Article 50 in case a compromise deal isn’t reached. At the same time, the PM told ministers to expect a vote next week to keep open the option of a no-deal Brexit. The Irish PM Varadkar said that two countries should negotiate a bilateral agreement on “full alignment” of customs to avoid a hard border with Northern Ireland in a no-deal scenario. It is the first time when Irish PM has mentioned the possibility of a separate deal with the UK to mitigate against a hard border, as reported by The Guardian. The pound advanced on Tuesday to 1.2954 against the USD while the yield on 10Y UKTs fluctuated between 1.2943% and 1.3359% during yesterday and closed at 1.3022%.



ASIA

The BoJ kept its rates unchanged at -0.1% during the meeting this morning but lowered its inflation forecast for 2019 – between 1% and 1.3%. Japanese Topix fell 0.1% while Chinese CSI 300 and Heng Seng are slightly higher – both adding 0.1%. China’s central bank (PBOC) offered USD 38 bn of liquidity to banks with the aim to spur lending to small firms ease rising cash demand, Bloomberg reported.



RUSSIA

Russian MinFin will offer fixed-coupon issues with a total size of RUB 30bn during its auction today: RUB 10bn in RFLB 24 and RUB 20bn in RFLB 7.6% 22 – even lower than last week while the ministry planned to borrow RUB 41 bn each week. The ruble weakened by 0.2% on Tuesday to 66.5 per USD. RUSSIA 47 remained at lower 98 area on Tuesday while most of the corporates slightly weakened - GPBRU 0 PERP and ALFARU 6.95 PERP underperformed, each lost 40 bps. The weekly CPI report would be released today.



LATAM

During his speech at the World Economic Forum new elected Brazilian President Bolsonaro said the country has what it takes to implement needed reforms. He promised to carry out pension and tax reforms and will seek more dynamic in trade relations with the rest of the world as Bloomberg reported. In Venezuela the state-run oil company PDVSA said yesterday that its debt fell 5% in 2018 from a year ago to \$34.6 billion, however most of its bonds remained at default as crude output has slumped to 70-year lows in an economic crisis according to RTRS.

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