



28 FEBRUARY 2019

MARKET SNAPSHOT

ASIA

Asian stocks are trading mixed this morning with Nikkei down 0.38%, Hang Seng and CSI300 up 0.23% and 0.14% respectively. Reports of Pakistan shooting down an Indian jet and capturing the pilot, following an Indian “pre-emptive strike” on a terror camp have caused major geopolitical unease given the history and nuclear weapon repertoire of both countries.

US

The US trade deficit widened to negative USD79.5bn. The economic data was greatly overshadowed by the testimony of President Trump’s former lawyer, Michael Cohen, and by the abrupt ending to the Trump-Kim summit. US stocks traded slightly down except the technological sector – Dow Jones and S&P wrote off 0.28% and 0.05%, Nasdaq gained 0.07%. The yield on 10Y UST peaked as high as 2.68% during the day but finished the day at 2.66%.

UK

The Labour party has formally backed a second Brexit referendum. Following Jeremy Corbyn’s defeat in the Parliament he commented that “We will back a public vote in order to prevent a damaging Tory Brexit or a disastrous no-deal outcome”. Notably, over 100 MPs have refused to vote for an extension if Prime Minister May’s next deal gets rejected by the Parliament. The Pound continued to rally to a USD1.3309 rate, while the yield on 10Y UKT gained 7bps to 1.2719% level.

EU

French and German officials discussed the effects of Brexit on UK’s EU budget rebate which was granted in 1984 during Margaret Thatcher’s tenure. Disputes suggest UK’s €5bn annual discount from the EU could still be in place following a no-deal Brexit. The discussion held is regarding the impact on respective European economies, Germany could be forced to supply additional €728m, while France stands to potentially gain €460m. The Euro slipped slightly from 1.1389 to USD1.1370 rate, yield on 10Y DBR gained 3bps and finished Wednesday at 0.148%.

RUSSIA

The weekly auction of Russian Ministry of Finance was rather successful yesterday. A total of RUB57.6bn of placements has been made in RFLB 24 6.5 (YTM 8.25%) and RFLB 29 (YTM 8.47%). The OFZ yield closed up 3bps Tuesday and gained an additional 4bps on Wednesday. The Ruble depreciated slightly to 65.78 per USD rate, Russian corporates traded mixed with GAZPRU underperforming at the long-end of the curve down 40-50bps.

LATAM

Moody’s have cut Vale’s credit rating to a non-investment grade as the first of the three major rating companies. The change from Baa3 to Ba1 was justified by the social, environmental and corporate governance concerns, following the tragic dam event in January. The VALEBZ curve lost as much as 200bps at the long-end of the curve. Mexico’s central bank cut the economic growth forecast from 1.1-2.1% from the original 1.7-2.7% range. Banxico said dealing with corruption will become a priority, as it prevents further growth and makes Mexico a less attractive investment destination. Mexican and Argentinian sovereigns traded flat, BRAZIL47 price slipped by 45bps.

Disclaimer : This overview provided by MeritKapital Limited (the "Overview") only summarizes recent market movements and contextualizes upcoming political, economic and central banks events. Any views expressed in the Overview are limited in scope. Under Article 12(3)(a) of the MiFID II Delegated Directive, such publications are considered a minor non-monetary benefit which can be freely distributed without charge.

This Overview constitutes neither investment, legal, tax advice nor other advice and it does not take into account the specific investment objectives, risk appetite and financial situation of anyone who may receive this report, and the latter shall not rely on it in making an investment or other decision.

MeritKapital Limited does not accept any liability whatsoever for any direct or consequential loss arising from the use of this document. This Overview is for information purposes only and is not, and should not be construed as, an offer to buy or sell any securities. The information contained in this Overview is published for the assistance of the recipient, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient.