


 01 MARCH 2019
 MARKET SNAPSHOT

US

Fed Chairman pledged to stay patient on policy amid the various crosscurrents and conflicting signals which are highlighted by the growth slowdown in China and Europe. The US economy remains in a “good place”, however weak retail sales in December remain a cause for caution. The afternoon sell-off on Thursday resulted in a 0.3% dip in the S&P 500, the Dow Jones Industrial Average and Nasdaq composite also finished 0.3% lower, the yield on 10-year UST gained 4bps.

ASIA

The news from China this morning were a positive surprise, as the Caixan PMI jumped to 49.9 last month close to the 50 mark. Global stocks are on the rise with the strongest gains from China after MCSI extended the Chinese weighting along the emerging markets index. China’s CSI 300 Index rose 2.1% following the MCSI decision to lift the inclusion factor for the A-shares to 20%. This action will in practice triple the Chinese weighting in its EM index from 0.71 to 2.82 by August next year.

EU

Euro inflation picked up by 0.1% to 1.5% in February owing to the increase in fuel costs according to the Bloomberg Economics. According to the Deputy PM of Italy there is no possibility of one side or the other ditching the coalition after the European Parliament vote as he confirmed the existence of a government contract which must last five years and will be enforced. In Germany retail sales rebounded more than expected gaining 3% in January after a slow December that highlighted some stuttering growth in the Eurozone’s leading economy. The bunds continued their slide with 10Y generic yield rising another 4bps to 0.18% levels this morning. The Mediterranean’s position as one of the world’s premier exploration spots has been buttressed by ExxonMobil’s substantial gas discovery in Cyprus. The island has previously been dependent on importing high-polluting, costly fuel to meet its power generation needs. However, this new discovery suggests that volumes will not only meet the island’s need but also be a viable source of export and income generation. The new CYPRUS 34s was seen bid at mid-102 levels, up more than 2.5points from reoffer last week.

UK

The FCA confirmed that firms will have a 15 month grace period to comply with the rule changes in the event of a cliff-edge Brexit in 29 days time. The FCA also published a series of “near-final” rules around Brexit, which are subject to final approval from the Treasury. The documents published are a significant milestone and they will ensure that there is a functional regulatory regime from day one and firms are clear as to the requirements which need to be met by end March 2019 so as to avoid a disruption in their operations.

LATAM

The PEMEX curve dipped marginally on the short end and lost an average of 1point on the long end. The company reported a weak set of 4Q18 results as crude oil production dipped by 8%, EBITDA also by 8% YoY and 43% QoQ due to the company closing the year with a \$106bn debt. MEX48 slightly weakened to mid 92 area. In Brazil, on the other hand PETBRA announced a better than anticipated last quarter results, with year-end net leverage dropping to 2.3x compared with 2.5x target. However BRAZIL47 weakened also to the lower 98 area on the general EM weakness.

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.