



## 12 OCTOBER 2018

### MARKET SNAPSHOT

#### TURKEY

The Turkish lira rallied sharply yesterday – it gained 2.5% and closed at 5.92 per USD (currently trading at 5.87). The move came after a report on NBC News said the US and Turkey may be near a resolution over the detained American pastor, Andrew Brunson. The court hearing for Mr Brunson scheduled for today. The government bonds rallied sharply as well, TURKEY 28 gained two points, TURKEY 47 strengthened by 2.5 pts and seen bid already at 78 this morning, while the corporate credits' performance was slightly milder: TCZIRA curve added 30-50 bps, ISCTR curve slightly strengthened while VAKBN, YKBNK and AKBNK curves closed almost unchanged.

#### GCC

The Bahrain officials said on Thursday that the country will receive up to \$2bn of financial aid from KSA, UAE and Kuwait before the end of the year as the first instalment and some funds have already arrived. The Gulf countries agreed on financial aid for Bahrain to avoid the risk of a debt crisis, in a deal tied to fiscal reforms. However, BHRAIN 47 lost almost a point and closed in the mid 96 handle.

In other GCC, Saudi Arabia might be in trouble if they are found guilty of killing the journalist Jamal Khashoggi in consulate in Istanbul. GOP Senator Bob Corker said yesterday that in this case Saudi Arabia must face sanctions. Richard Branson halted talks with the kingdom's sovereign wealth fund on the \$1bn investment in the Virgin's space companies as reported by Bloomberg. KSA curve remained relatively unchanged, with some weakness visible in the long-end, KSA 47s and 49s lost almost a point to high 91s and mid 96s areas respectively.

#### RUSSIA

The Russian stock index dropped amid the sell-off in global equities. The MICEX lost 2%, RTS weakened by 1.7%. However, the ruble remained strong and even strengthened further, it gained 0.8% and closed at 66.26 per USD. RUSSIA 47 closed flat in lower 93 area and the most of corporates remained unchanged. VTB PERP, 22s and 35s may be pointed out as underperformers, they lost 30-50 bps in price on average.

#### ARGENTINA

The Argentina's market is betting that the peso will follow the path set out by the central bank through the end of the year. The peso was strengthening for the nine trading sessions in a row, closing yesterday at 36.6 per USD. It gained 12.8% within last two weeks after the central bank started withdrawing pesos from the financial system in order to stabilize the rate. Exchange rate futures, both in the local and overseas market, are trading in the middle of the bands imposed by the central bank as part of the agreement with the IMF which is a good sign for investors. ARGENT 48 gained a point and reached higher 72 levels. Within the corporates, YPF curve slightly strengthened while ENTRIO and NEUQUE dropped.

#### EU

The yield on 10Y BTPS continued climbing up, it touched 3.6% again during the trading session yesterday (currently trading slightly stronger at 3.54%) as the situation with the proposed deficit budget for 2019 remained uncertain. The ECB won't come to Italy's rescue unless the country secures a bailout from the EU. In such case Italy needs to carry out painful economic reforms, an option the Italian government has firmly rejected. Furthermore, the ECB council member Karl Knot said the ECB is still on track with phasing out its bond-buying programme, ahead of the industrial production data from the EU. German benchmark 10Y yield is up 5bps since yesterday morning, currently trading at 0.535%. The CYPRUS sovereign curve remained weak yesterday, with the new CYPRUS 28 edging to low-mid 100s area yesterday on a continued risk-off sentiment.

#### USA

The US stock market declined further despite the afternoon rally in Treasuries. S&P 500 lost 2.06%, Dow was down by 2.13% while the yield on 10Y USTs dropped by 7.5 bps to 3.1498% level, its lowest level in a week. The dollar index lost half per cent.

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.