

Macroeconomic trends in the development of CIS debt markets

In a global perspective

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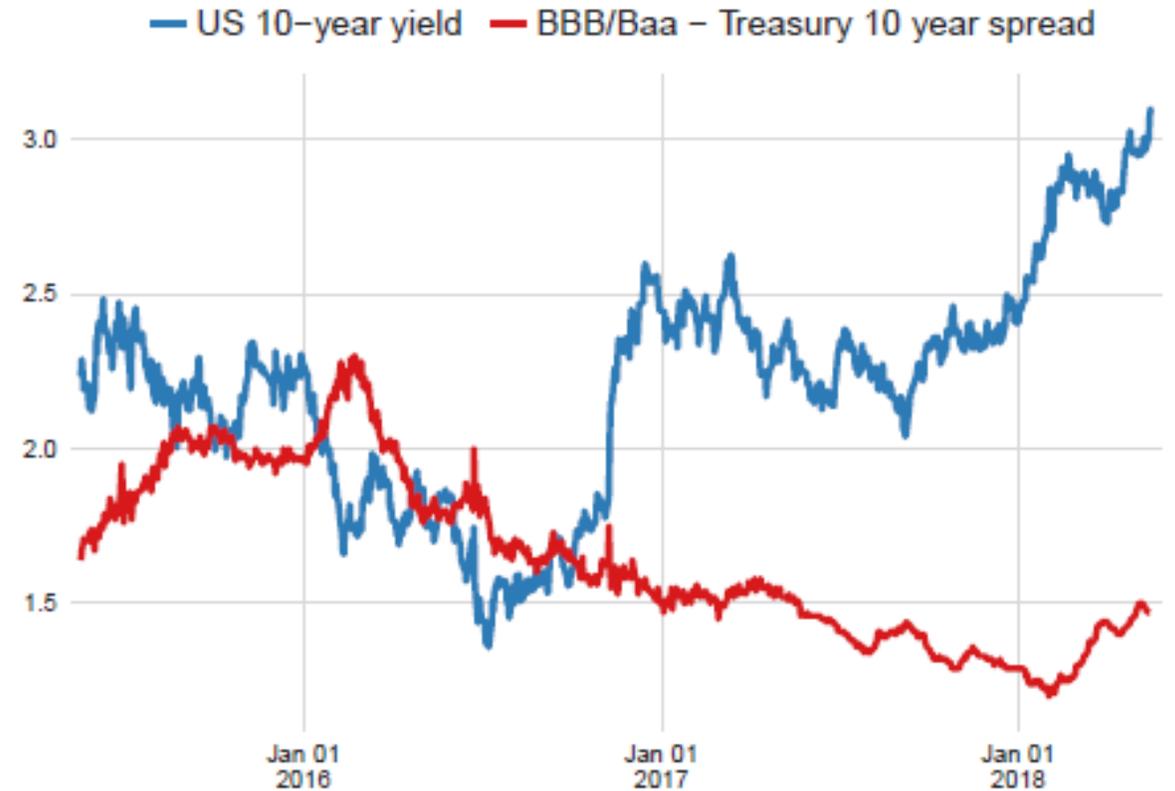
2018: The global positive trend has been challenged..



Global equity market



US 10-year bond yields vs BBB/Baa spread



...Caused by new trigger points



- **Inflation fear – Higher yields**
 - **Trade war China US**
 - **Geopolitical risk factors**
 - **Global QE Tapering**
- = Less appetite for assets**

EM fear of another Bernanke moment

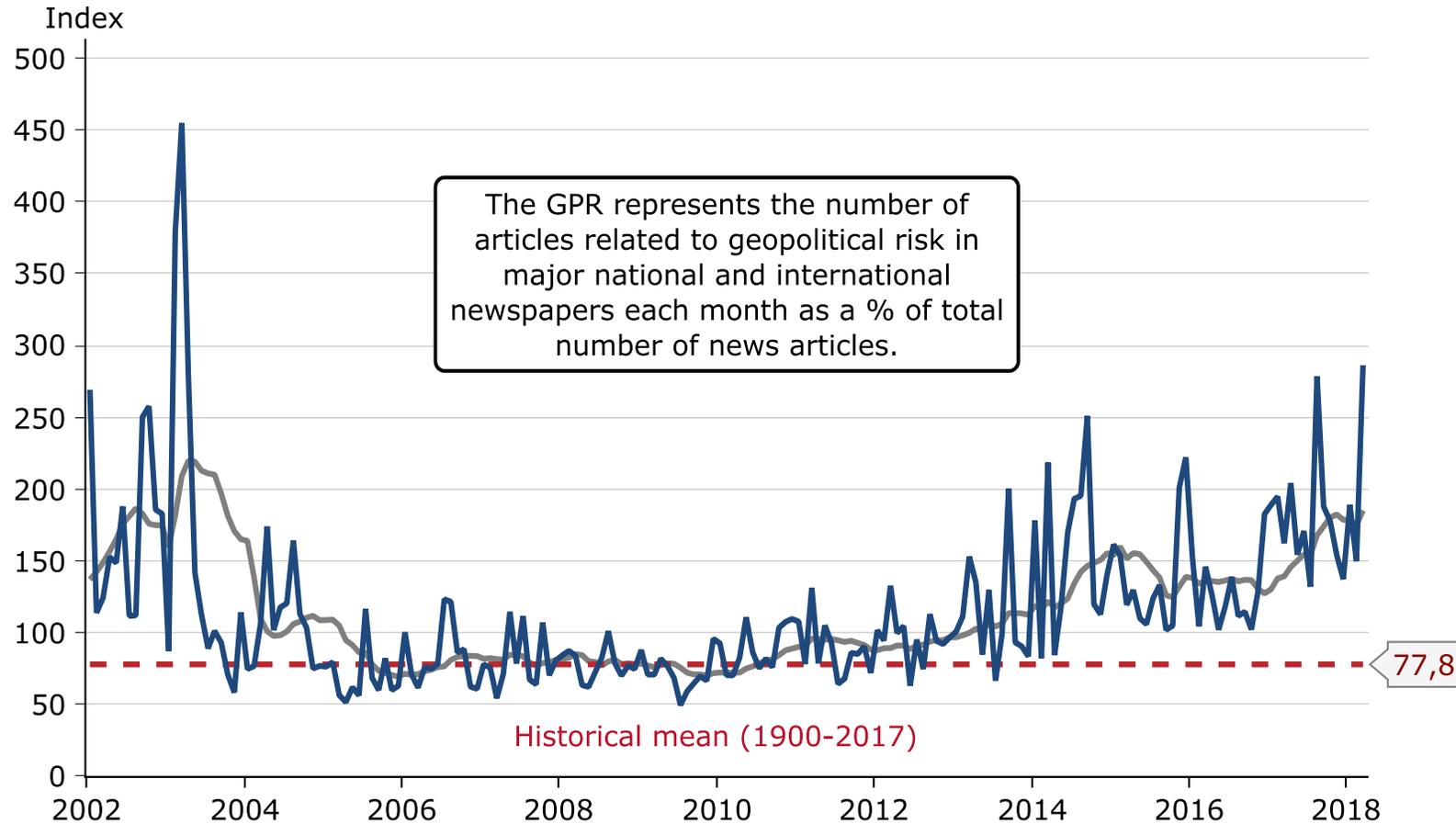
higher yields and stronger dollar normally a bad cocktail



At same time geopolitical risk increases..

« Beware of the wolf »: GPR at the highest level since the 2003 invasion of Iraq

Geopolitical Risk Index (GPR)



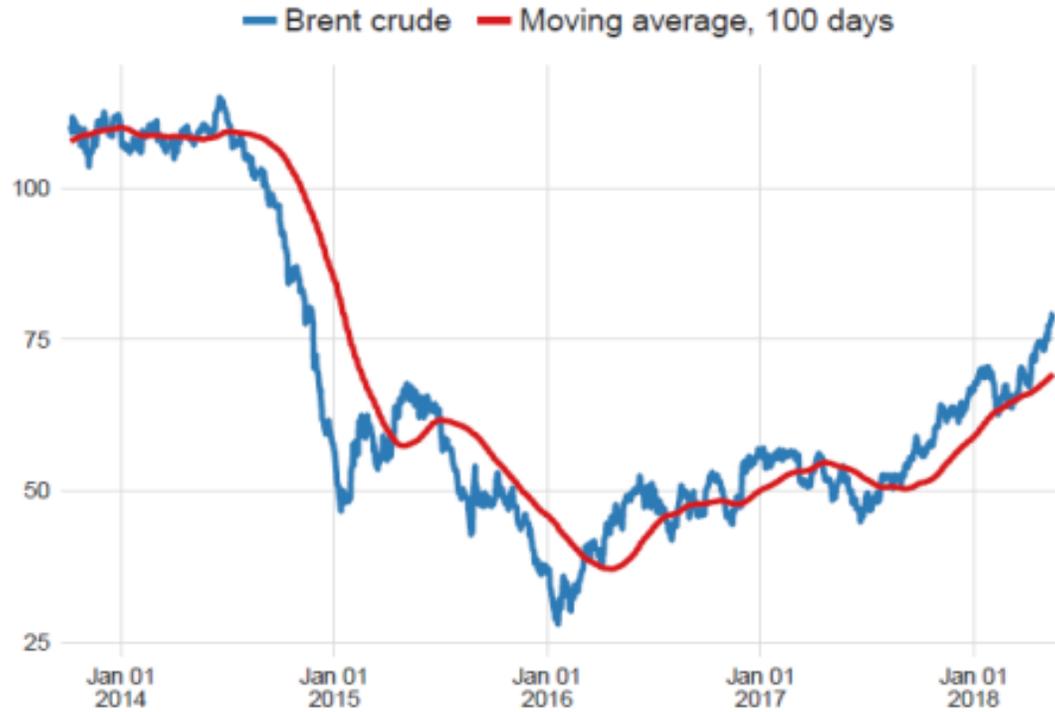
Source: Macrobond, Saxo Bank Research & Strategy

..Impacting energy and inflation

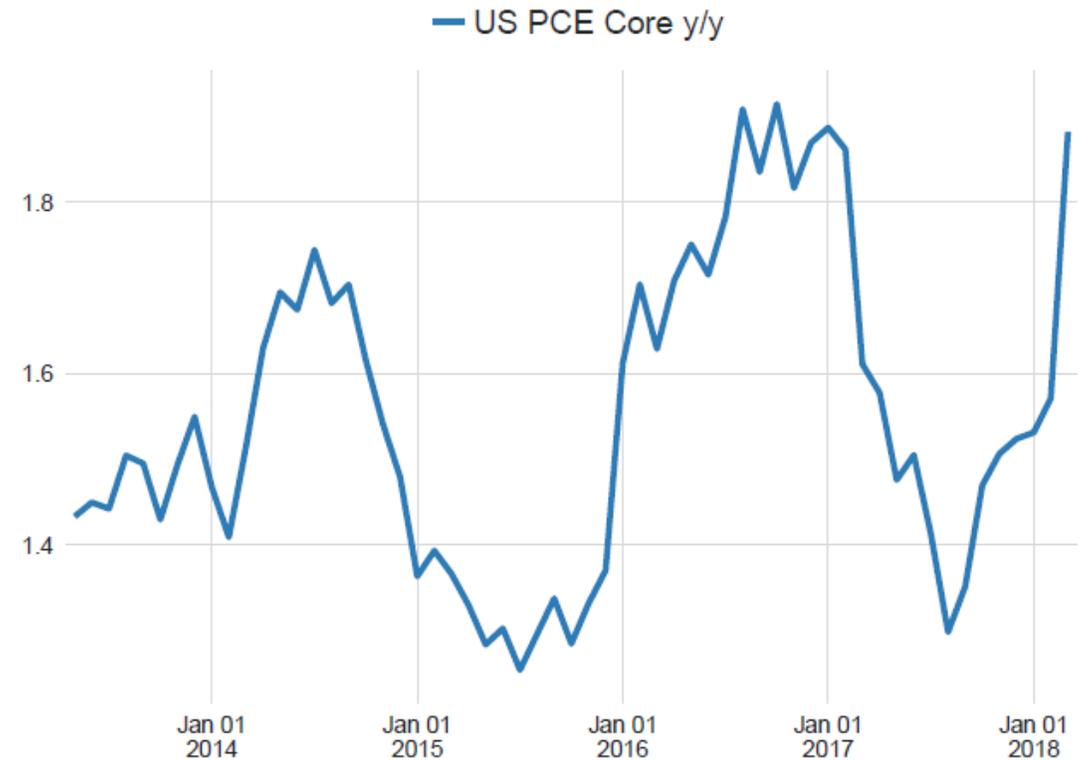
Geopolitical risk itself creates little fear. It is inflation fear that becomes the result...
But positive impact for oil producing countries..



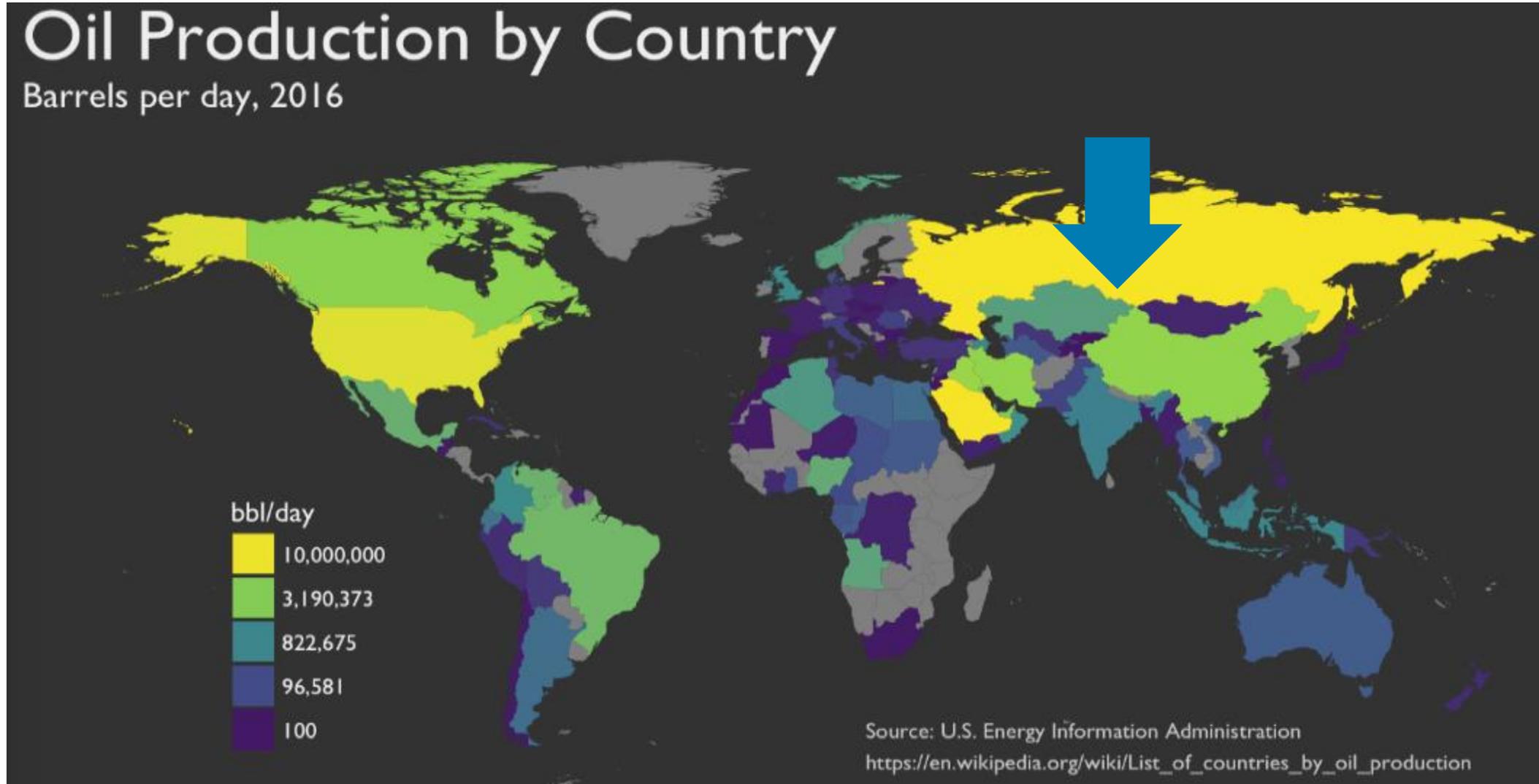
Oil



US inflation



Energy revenues is a huge stabilizing factor for CIS

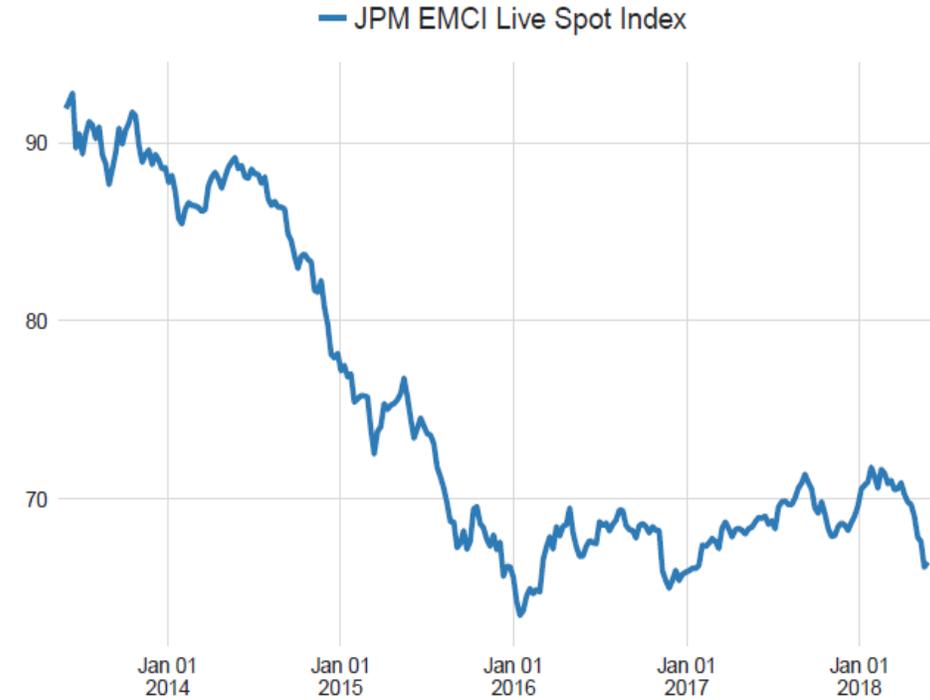


Why impact of market turmoil could be less for CIS

EM equities

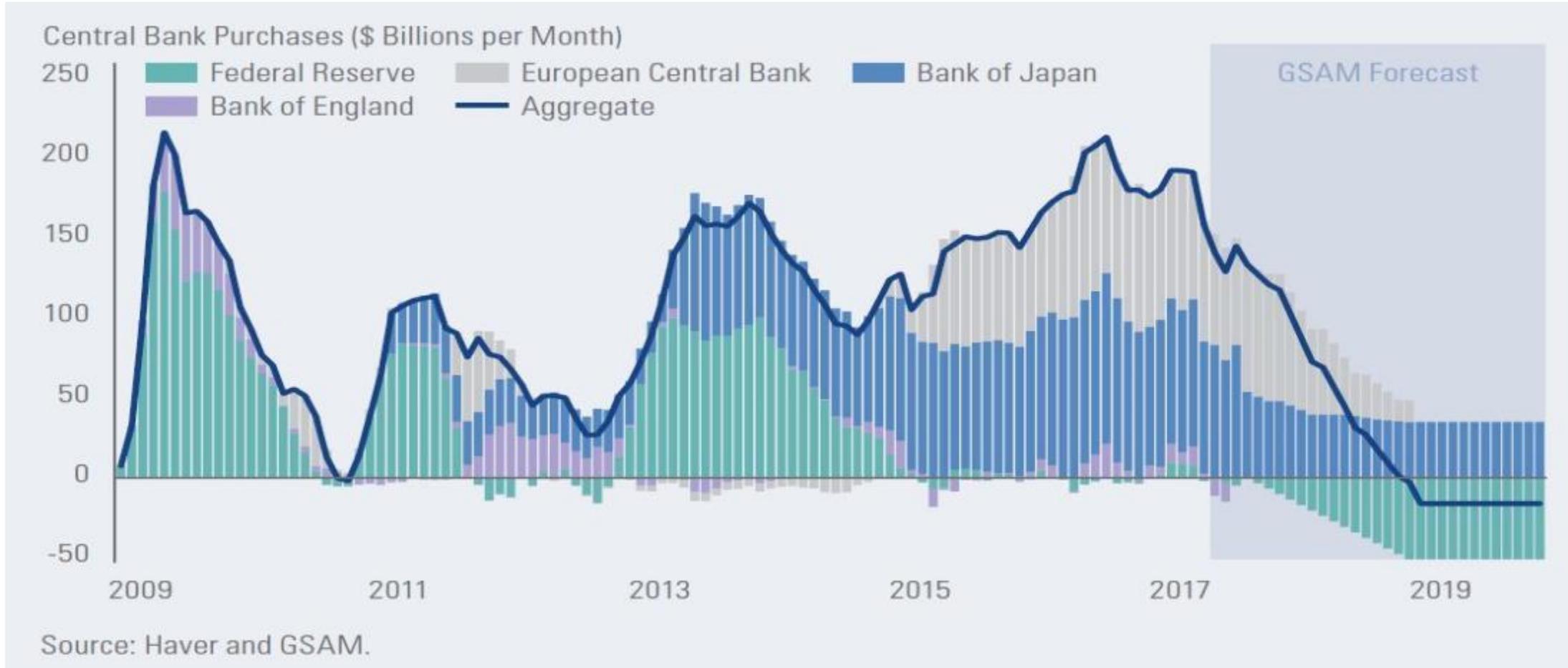


J.P. Morgan EM Currency Index Live Spot



Less QE stimulus can impact appetite for global credit

Less growth, more volatility...higher yields ?

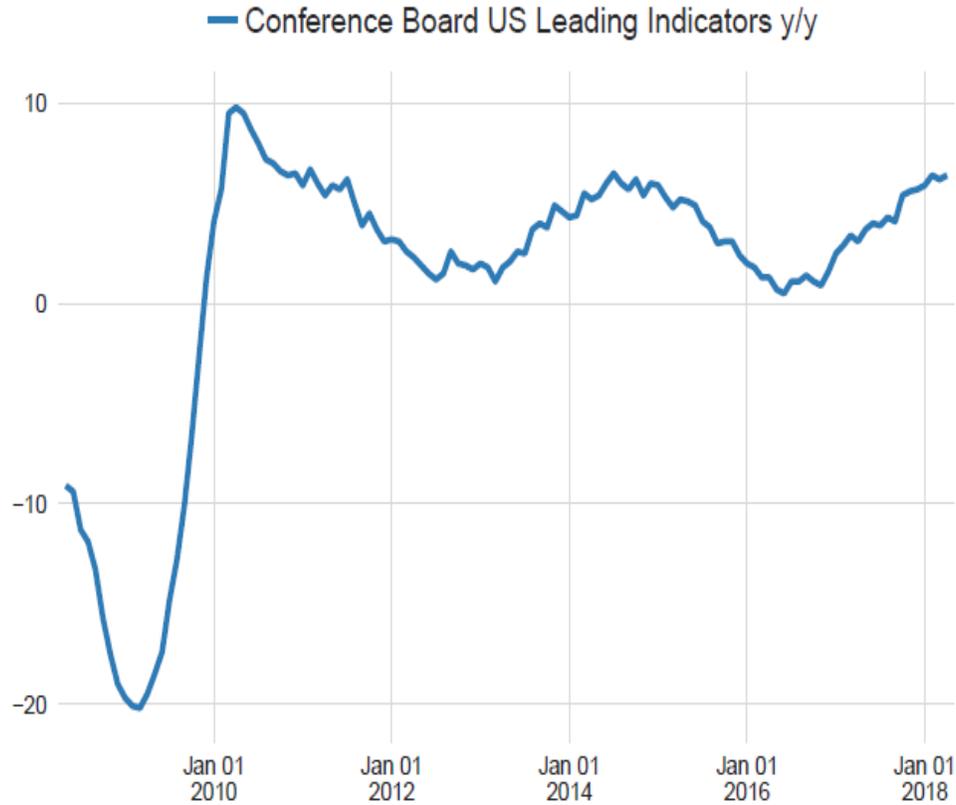


Picture is not entirely negative

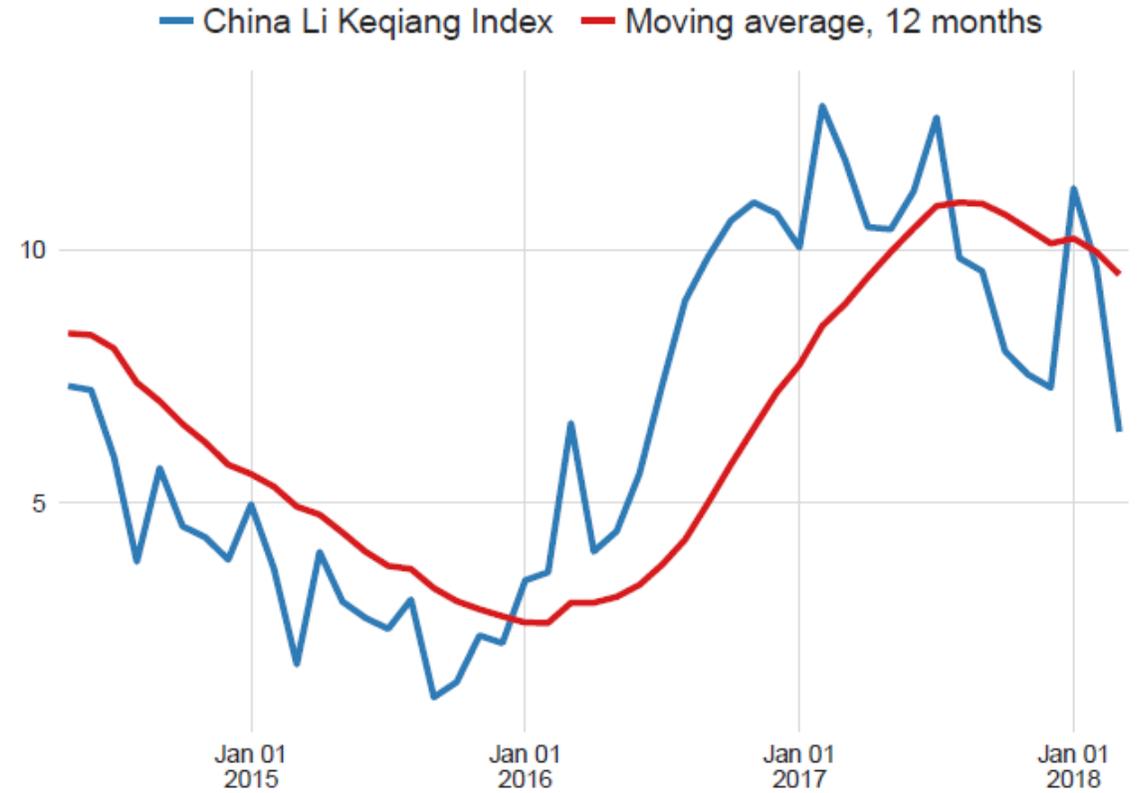
Yields are higher for a reason, Focus will be on China and EM growth.
EM more mature due to infrastructure and globalization.



US leading indicators



China manufacturing growth

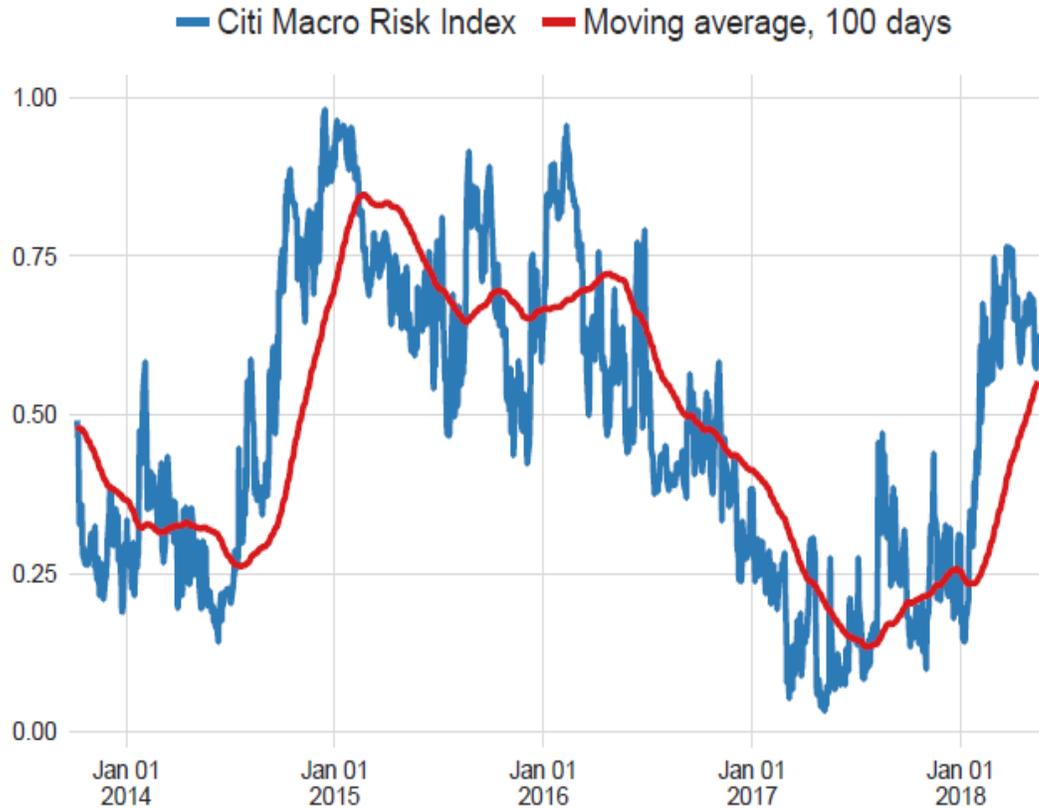


Market have already reacted to trigger points

Underlying macro moderate robust. Inflation surprise flat.
Could bring opportunities for EM bonds.



Citi Macro Risk Index



Inflation surprise

