Macroeconomic trends in the development of CIS debt markets

In a global perspective

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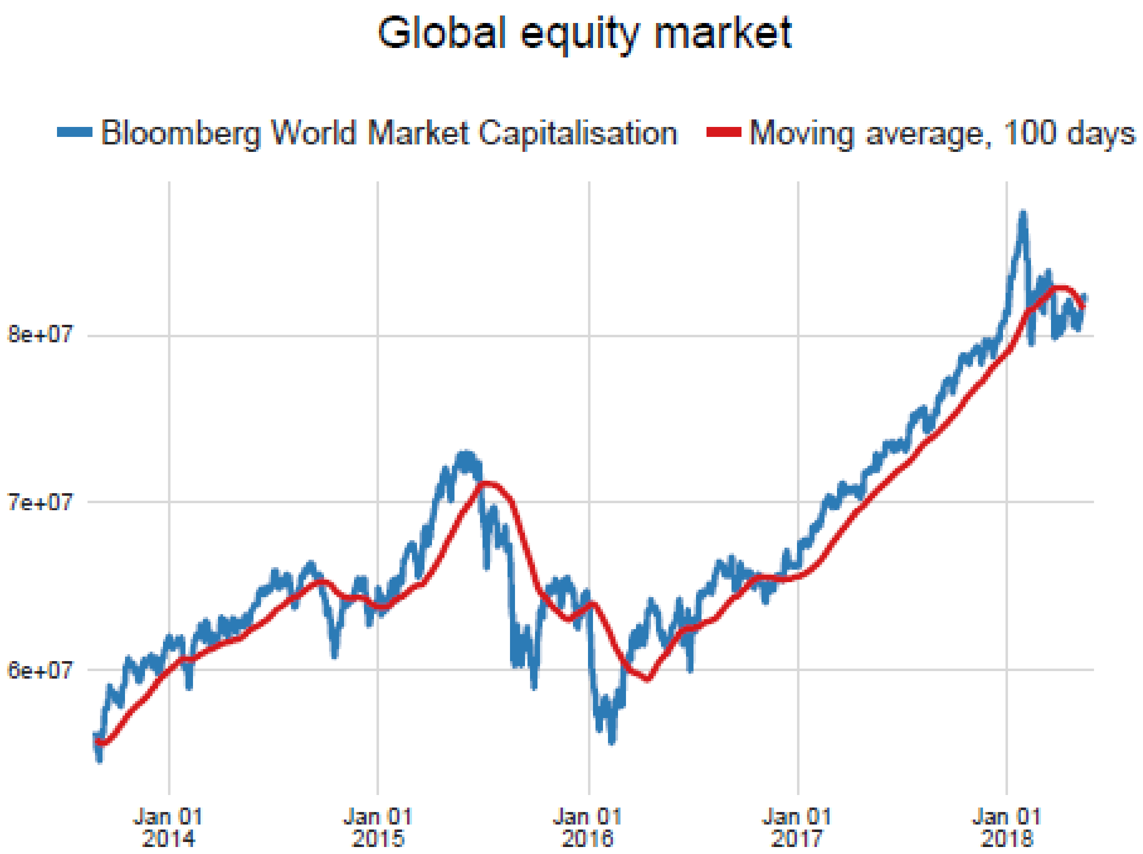
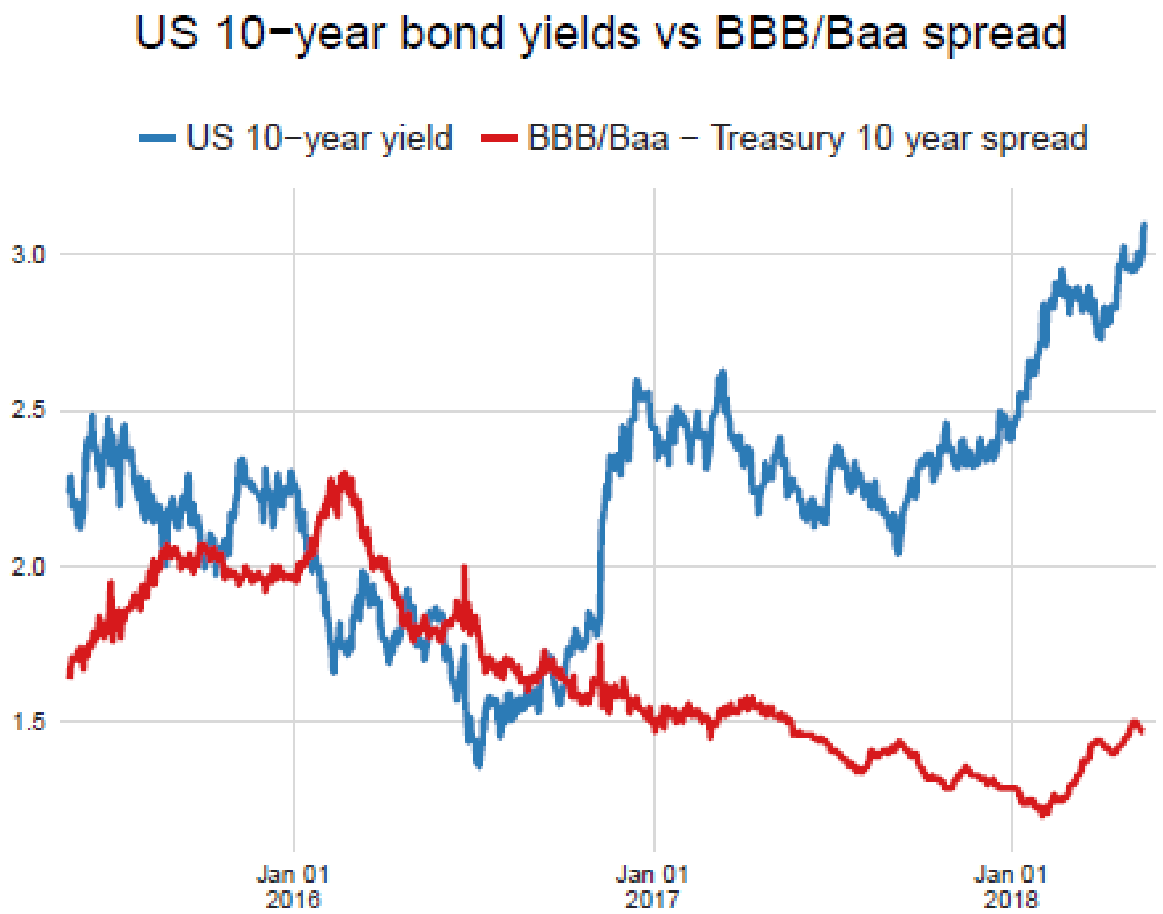
NON-INDEPENDENT INVESTMENT RESEARCH

2018: The global positive trend has been challenged..





...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

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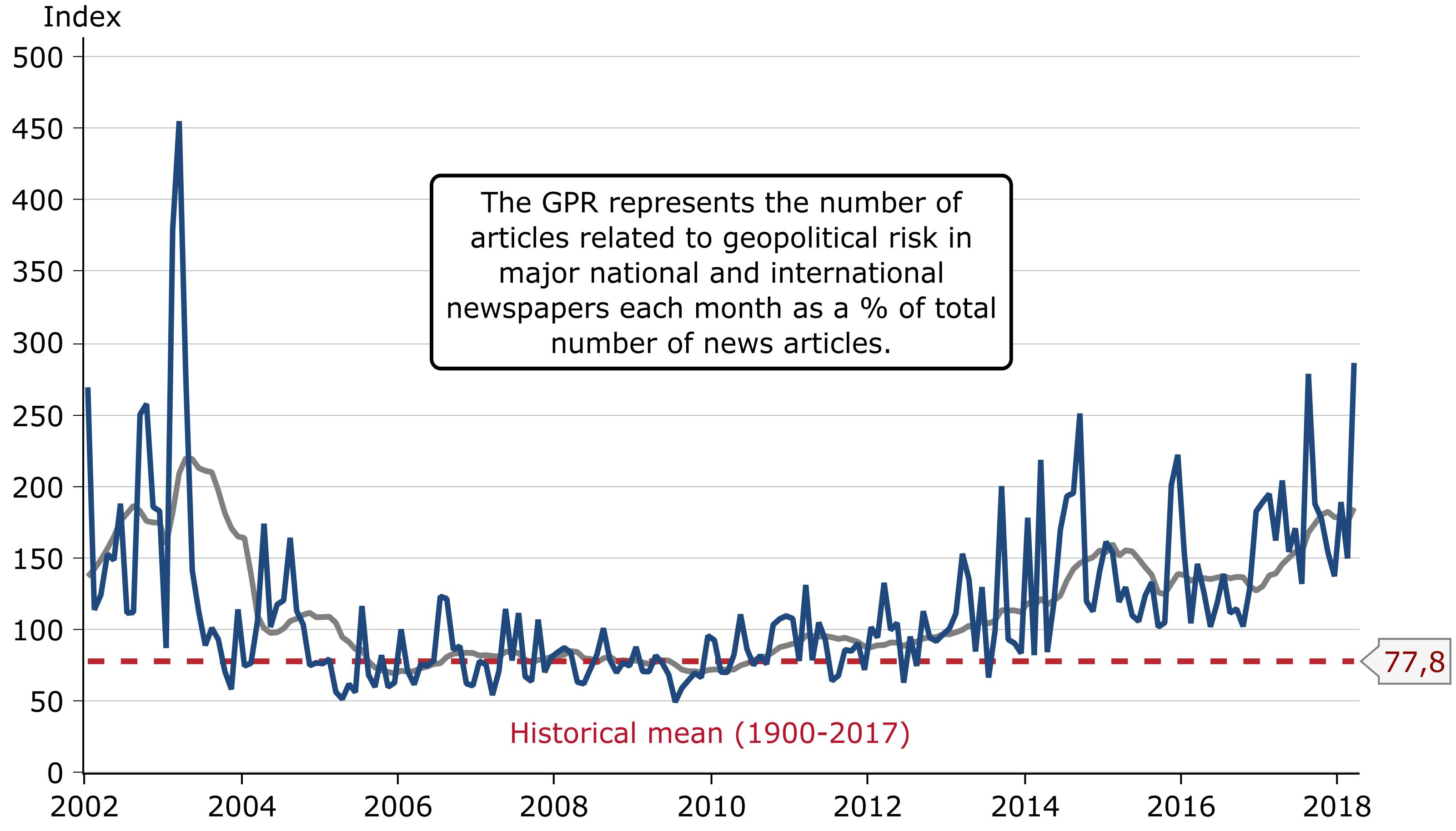
At same time geopolitical risk increases..

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

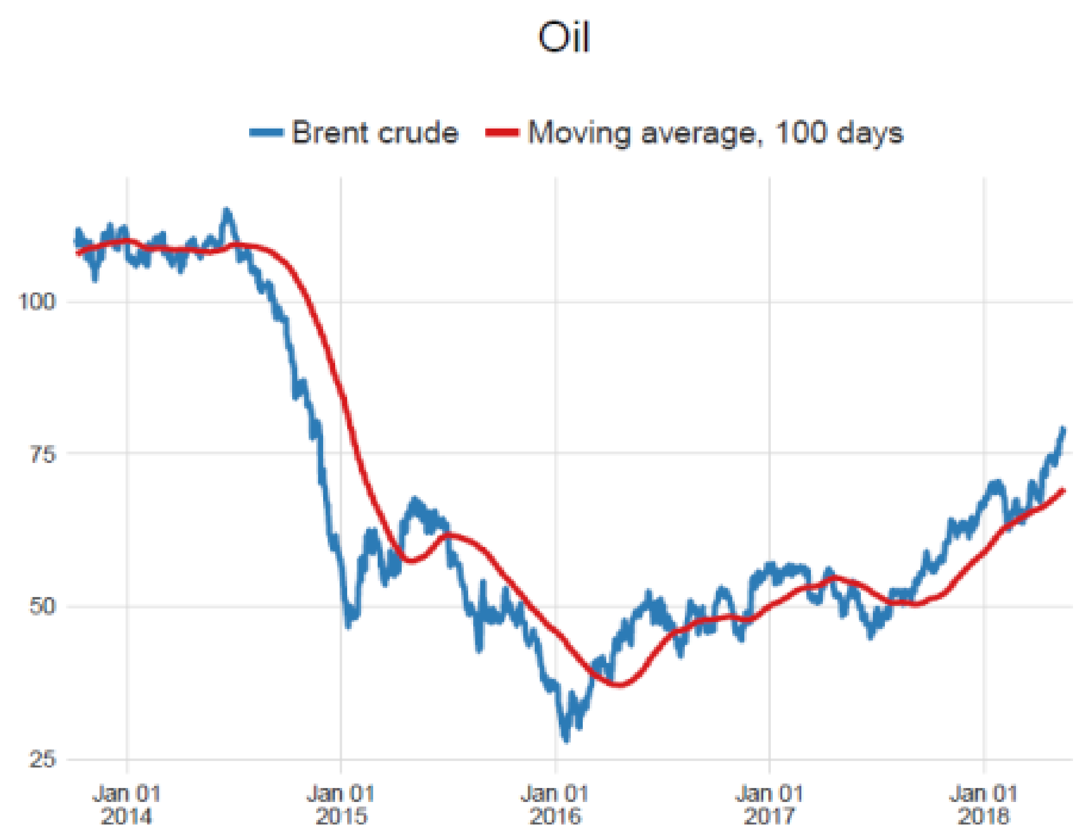
Geopolitical Risk Index (GPR)

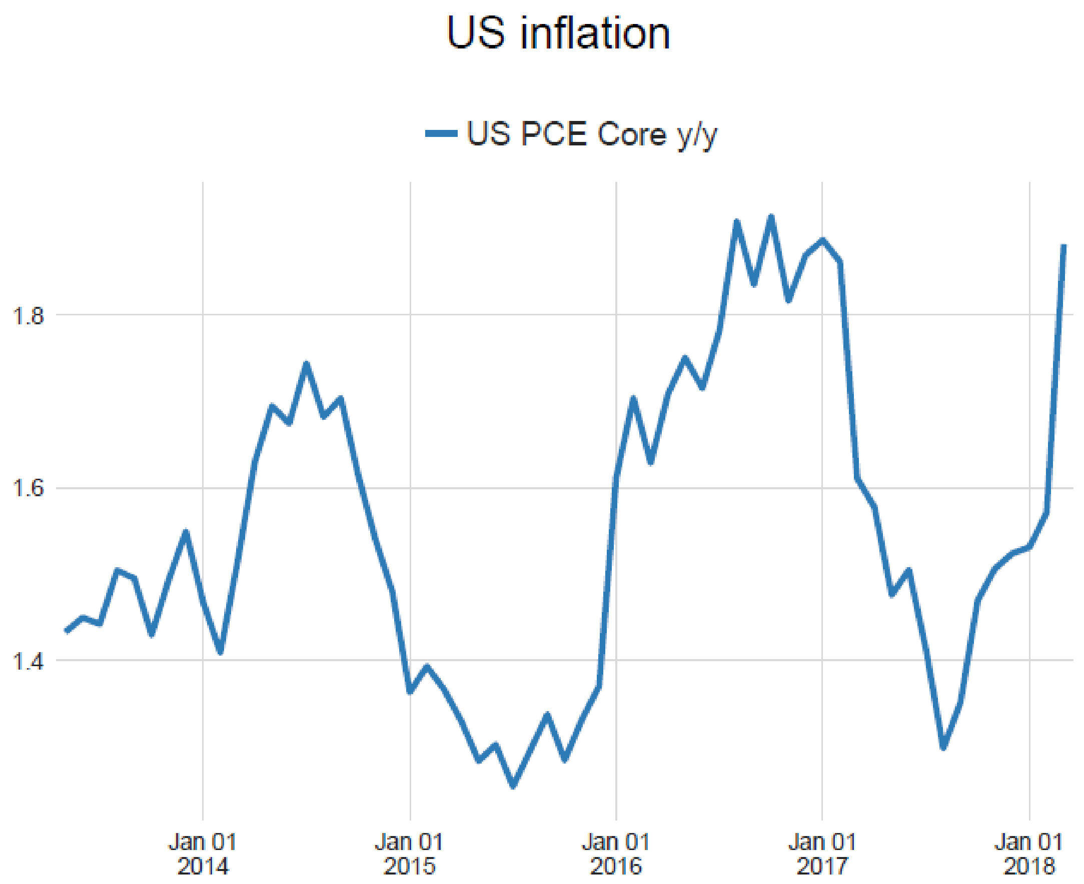


Source: Macrobond, Saxo Bank Research & Strategy

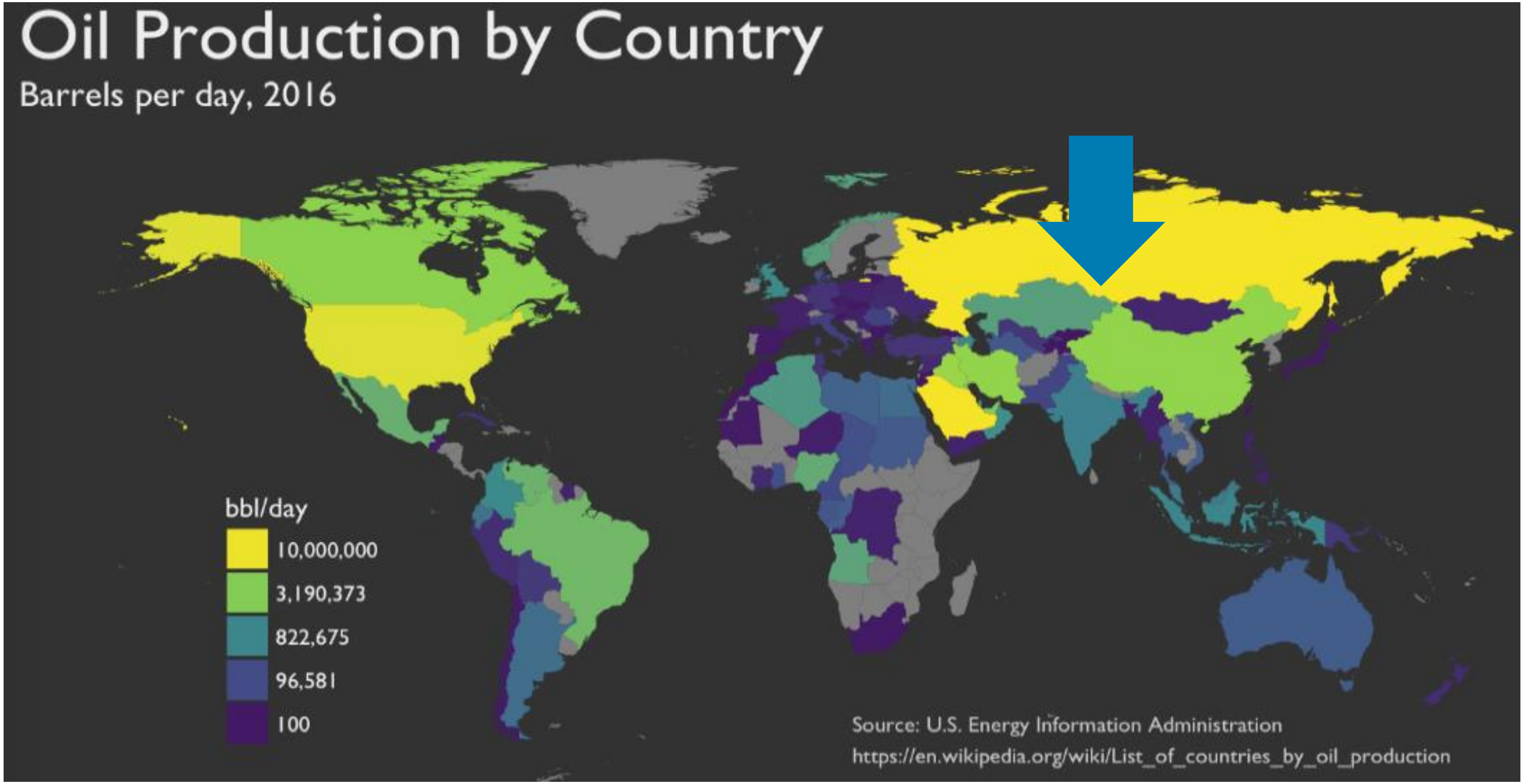
..Impacting energy and inflation

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

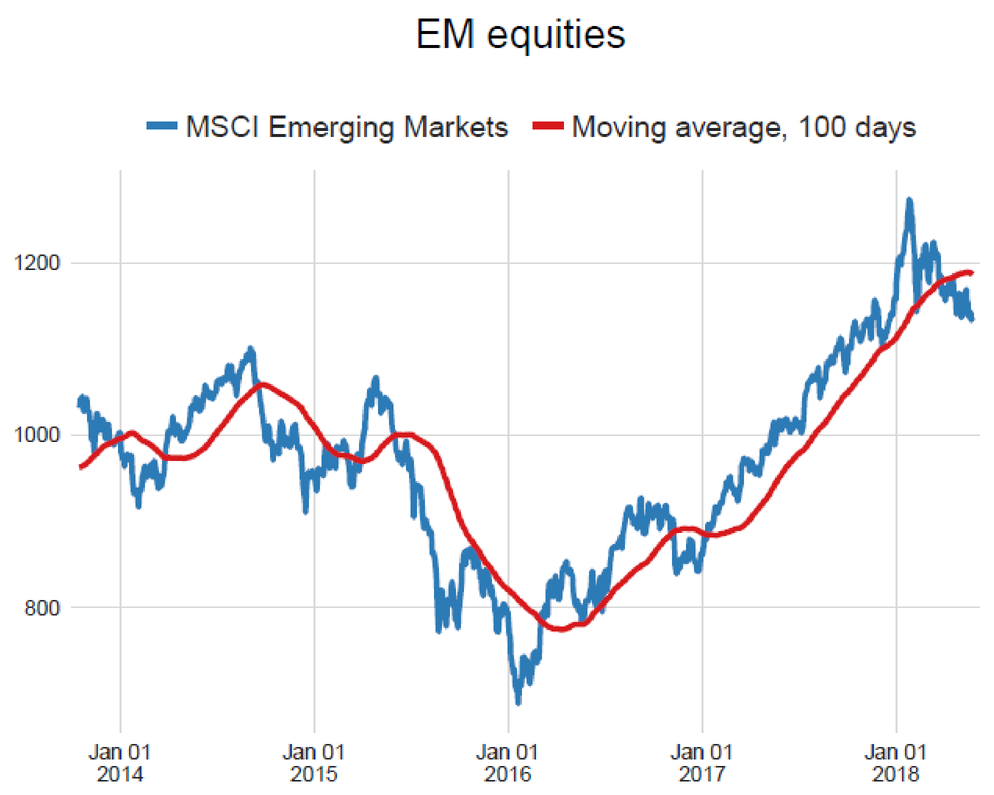


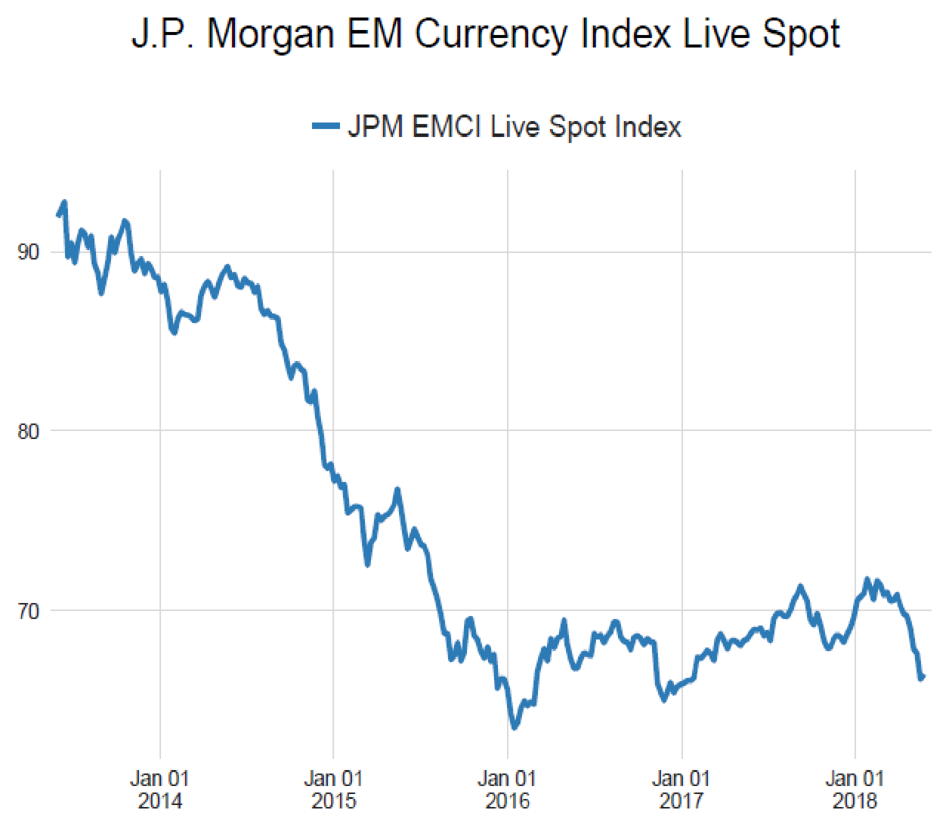


Energy revenues is a huge stabilizing factor for CIS



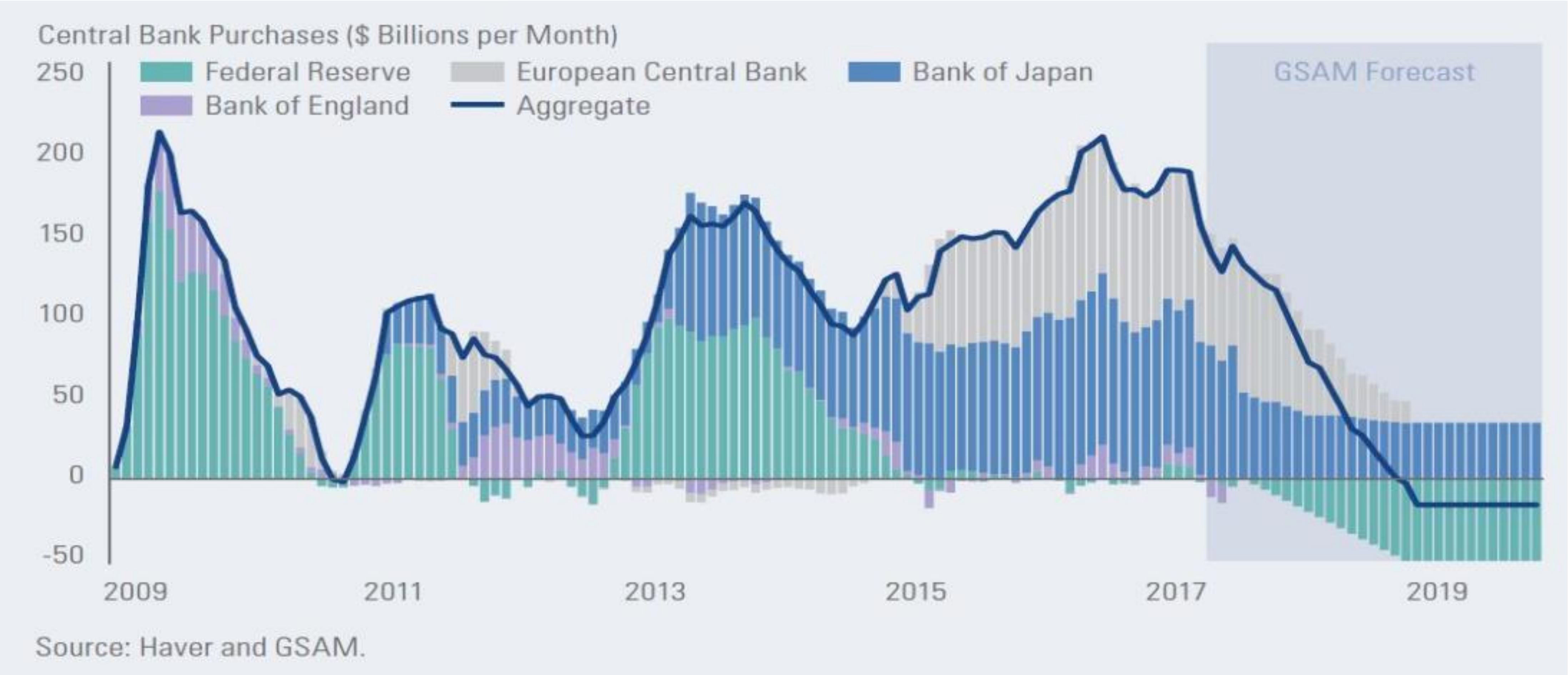
Why impact of market turmoil could be less for CIS





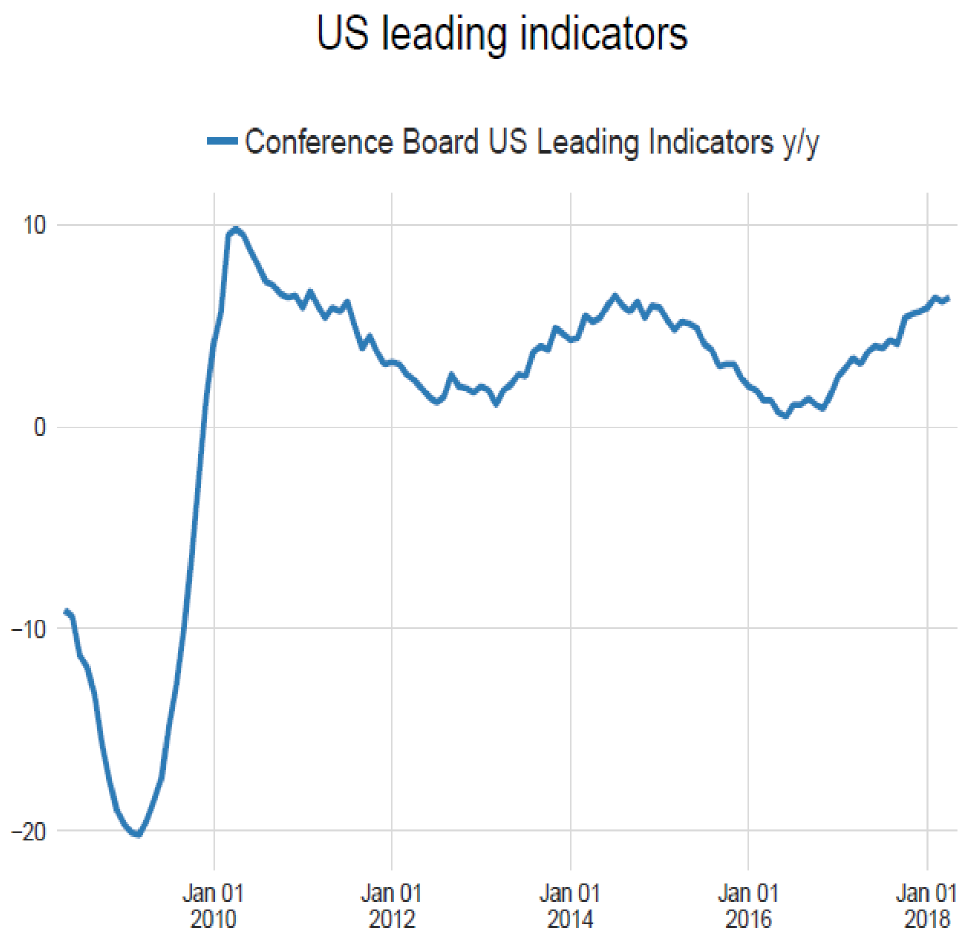
Less QE stimulus can impact appetite for global credit

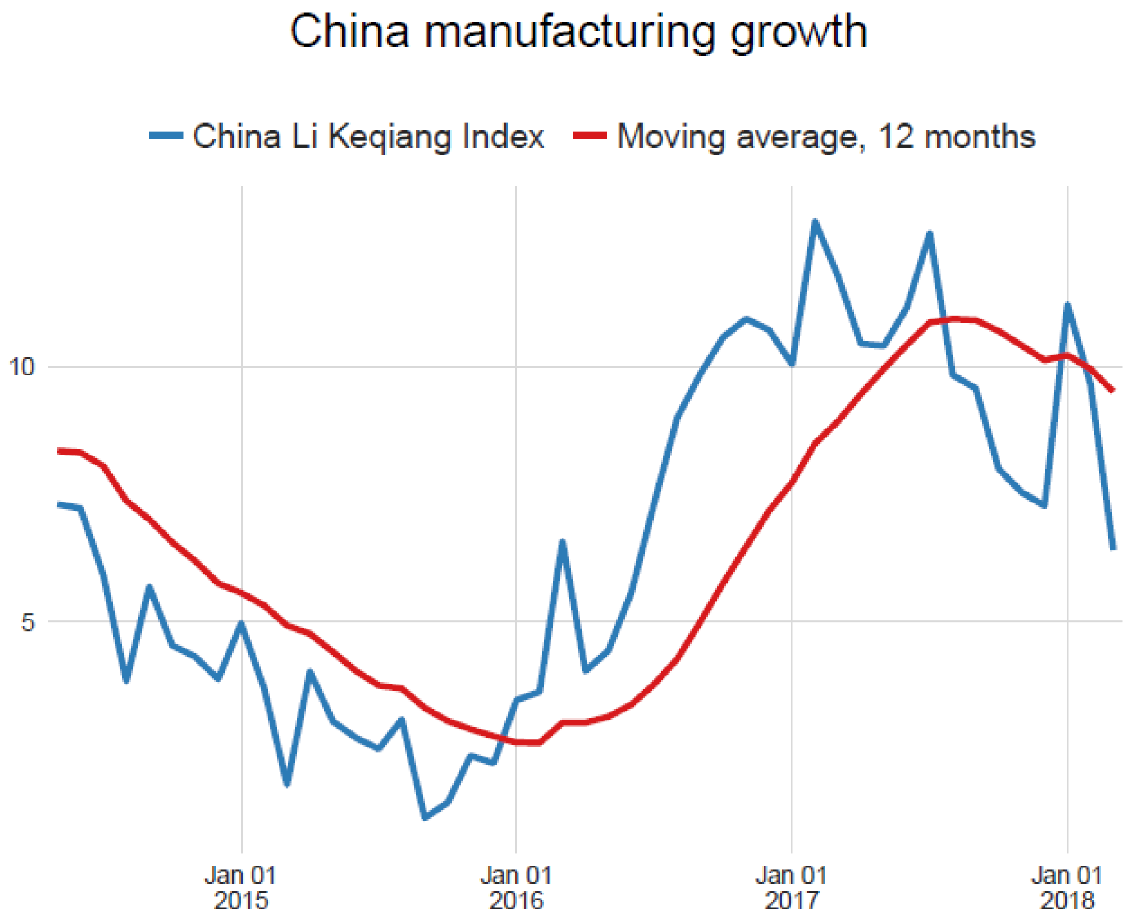
Less growth, more volatility…higher yields ?



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.





Market have already reacted to trigger points

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