

BREAKING NEWS

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HEDON

10/03/2017

North Korean companies in China must close due to UN sanctions

- 120 days of closing for North Korean businesses outside and inside Chinese Border
- Exemption of "especially non-profit and non-commercial public infrastructure projects."
- 80 to 90 % is the part to China in North Korea trade
- 60% of this trade settled in Dandong



Source : Financial Review

China Exports Customs Record

Shipment

Shipment Month	Jun 2016
Shipment Destination	Korea,DPR
Province	Liaoning Province
Country of Sale	Korea,DPR
Transport Method	River-Sea Transportation
Is Containerized	yes
Value of Goods (USD)	\$790,000.00
HS Code	8526.91
HS Code Description	Radio navigational aid apparatus
Trade Direction	Export
Admin Region	Dandong City,Liaoning
Trade Type	Ordinary Trade

Company

Shipper	Dandong Dongyuan Industrial Co.,Ltd.
Shipper Name (Chinese Format)	丹东东源实业有限公司
Shipper Address (Chinese Format)	辽宁省丹东市振兴区振八街34-7号
Shipper Address (Original Format)	34-7, Zhenba Street, Zhenxing District, Dandong
Shipper Global HQ	
Shipper Domestic HQ	

- Long-term Risk :
 - For Korea : exports will decline to 80 – 90 %
 - For China : economic issue in region bordering Korea

But some difficulty to apply this measure due to unofficial trade transactions between the two countries ...

Russia: Last ally ?

- An ambiguous position
- Good relation with all the area (China, South and North Korea, reconciliation with Japan)
- Create a geopolitical dynamism before economic relations
- Develop eastern Russia
- Project of a Gas Pipeline from Russia to South Korea and possible extension of Trans-Siberian line.

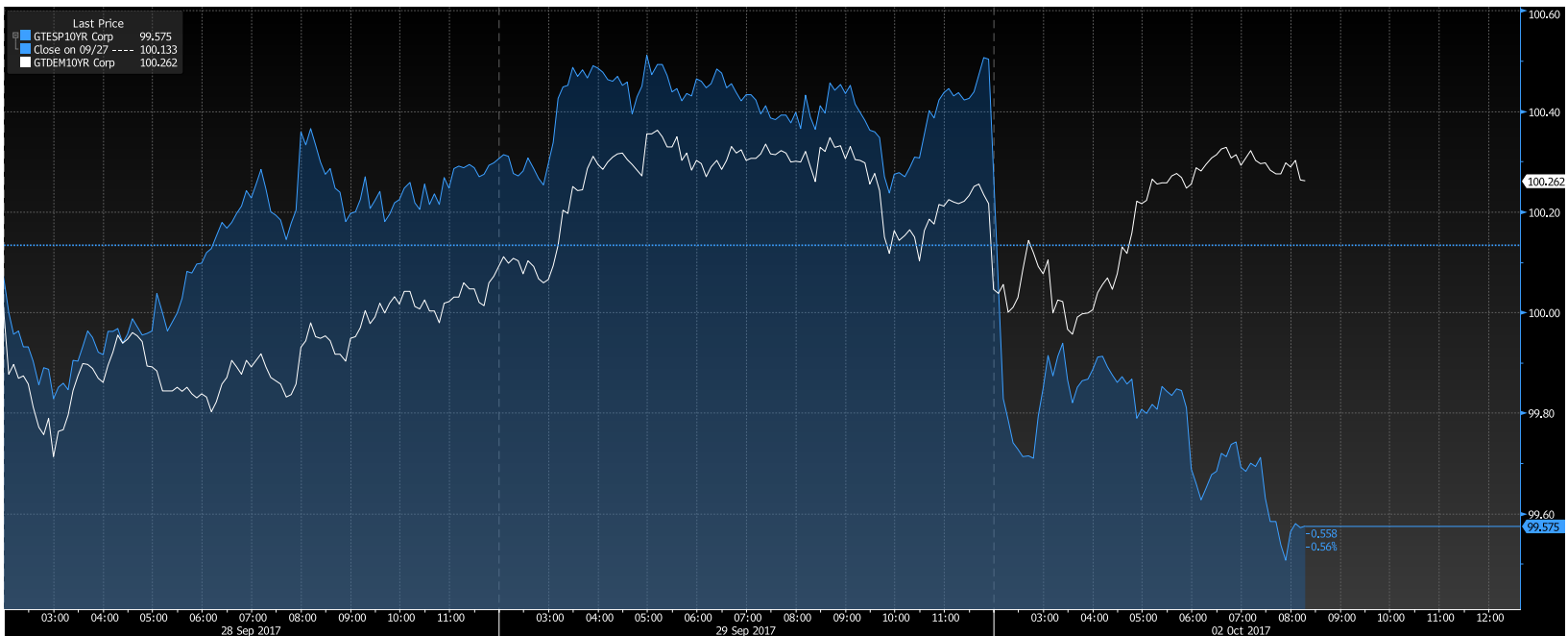
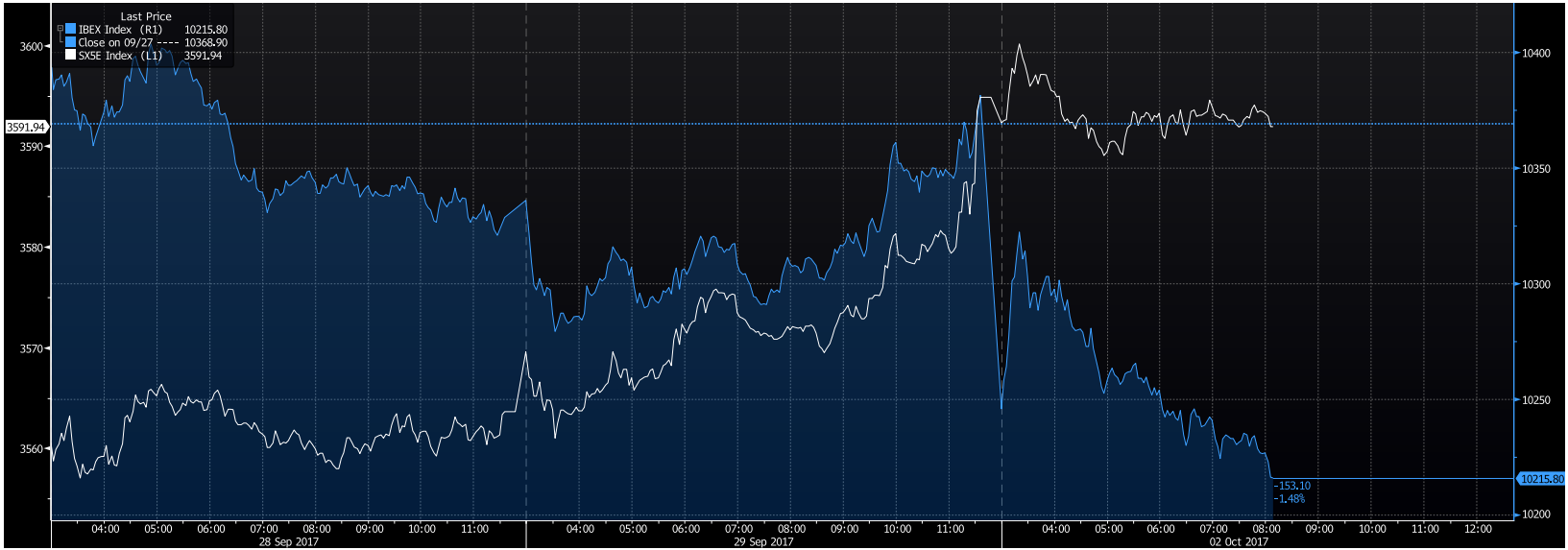


Source : Le Figaro

A Clue ?

Be integrate in an economic program concerning all the area proposed by Russia, with security assurance for North Korea and a real project against nuclear weapons

Referendum in Catalonia



Equities

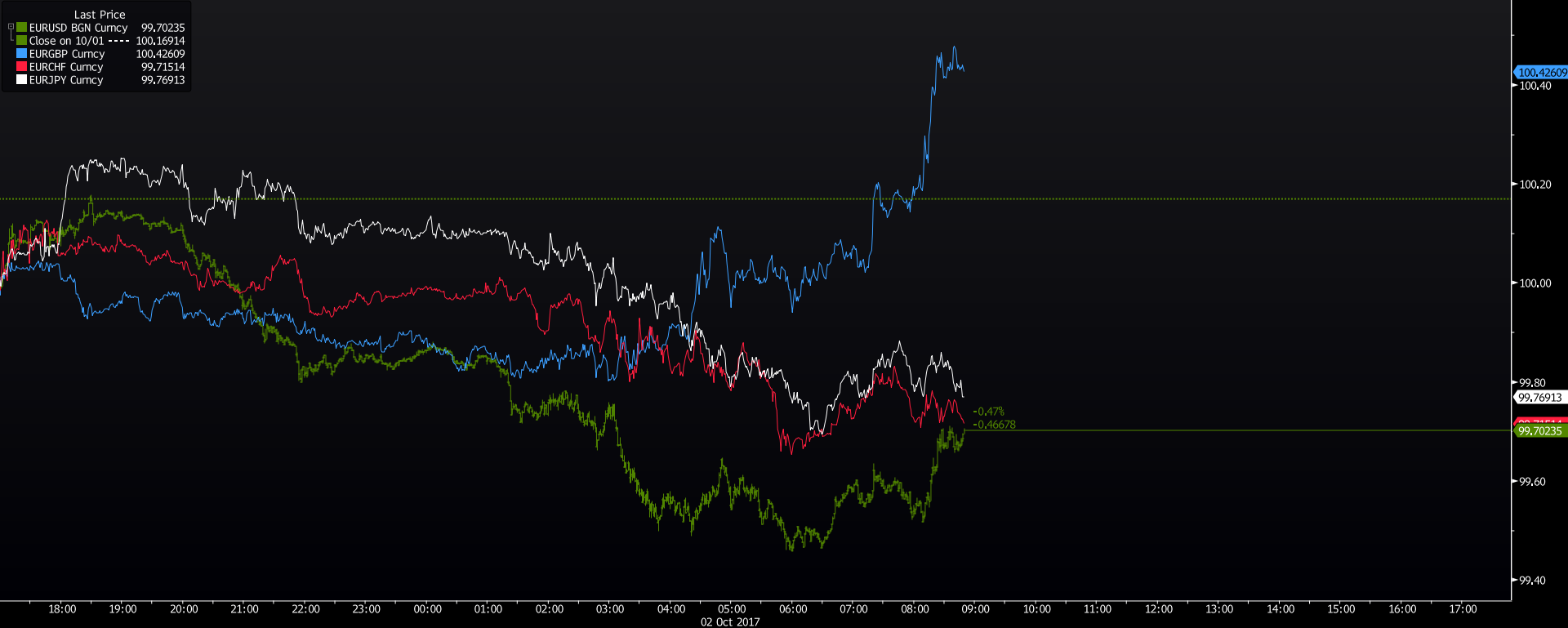
- Spanish IBEX 35 underperforms compared to the Eurozone index

Bonds

- Prices of Spanish 10y bonds decreased; Yields higher relative to German bunds

Currency

- Euro down compared to USD, CHF and JPY;
GBP marked by weak economic data



- **Economic growth**

Unemployment: 17.1% compared to 19.3% a year ago

PMI: 54.3 compared to 53.0 expectation

- **Politics**

Minority government is a possible source of risk

- **Short run vs. Long run**

Growth is back in South America

Capital Economics : the GDP of Latin America is now expanding at a three-year high of 3%

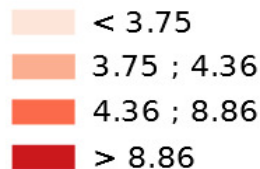
But what was the economic situation during the last years ?

- 2010 – 2016 the GDP growth rate has decreased from 6.6% to -2.7%
- In 2015 the inflation rate attained more than 8 %

What changes occur today ?

- Weak domestic demand
- Falling inflation
- Steep drop in interest rates
- Consumption expand
- Other temporary factors

Inflation rate (%)



Source : IMF - 2015



Growth is back in Brazil

Central Bank: expects a GDP growth rate between 0.5% and 0.7% in 2017 and 2.2% in 2018

BRAZIL INFLATION RATE



SOURCE: TRADINGECONOMICS.COM | INSTITUTO BRASILEIRO DE GEOGRAFIA E ESTATÍSTICA (IBGE)

Goldfajn,
Brazilian Central Bank Chief :
“Inflation is still low, the recovery is there, but it seems to be a gradual increase, which is the perfect scenario for emerging markets.”

CONCLUSION

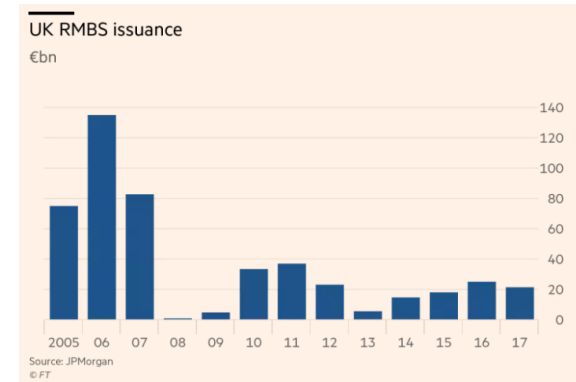
Sustainability of growth depends on structural reforms

Volatility of growth is due to a delicate political situation

Uncertainty of the Mexico's growth rate is explained by the “Trump factor”

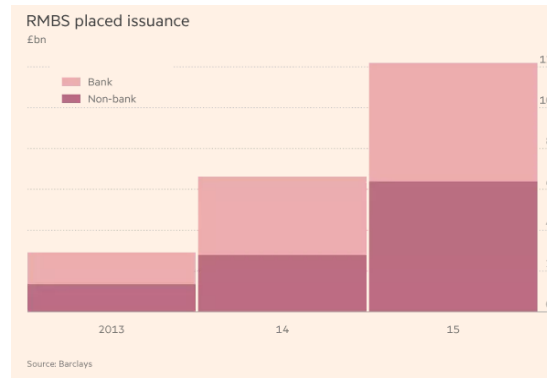
Risks on the UK Debt Market (1)

- The combination of a potential BoE **interest rate hike** and the **securitization** practice is triggering pessimism and fear in the UK debt market.

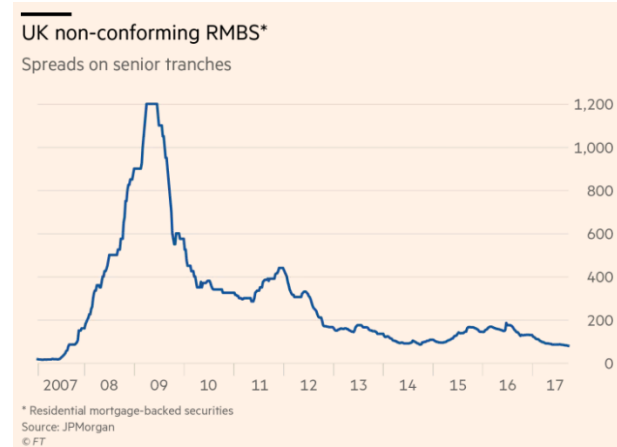


- Since the 2007 financial crisis, **non-bank lenders** are the main issuers of securitized products (mortgages & companies' debts).

Kensington – Paragon – Edeus Mortgage Creators – Precise Mortgages

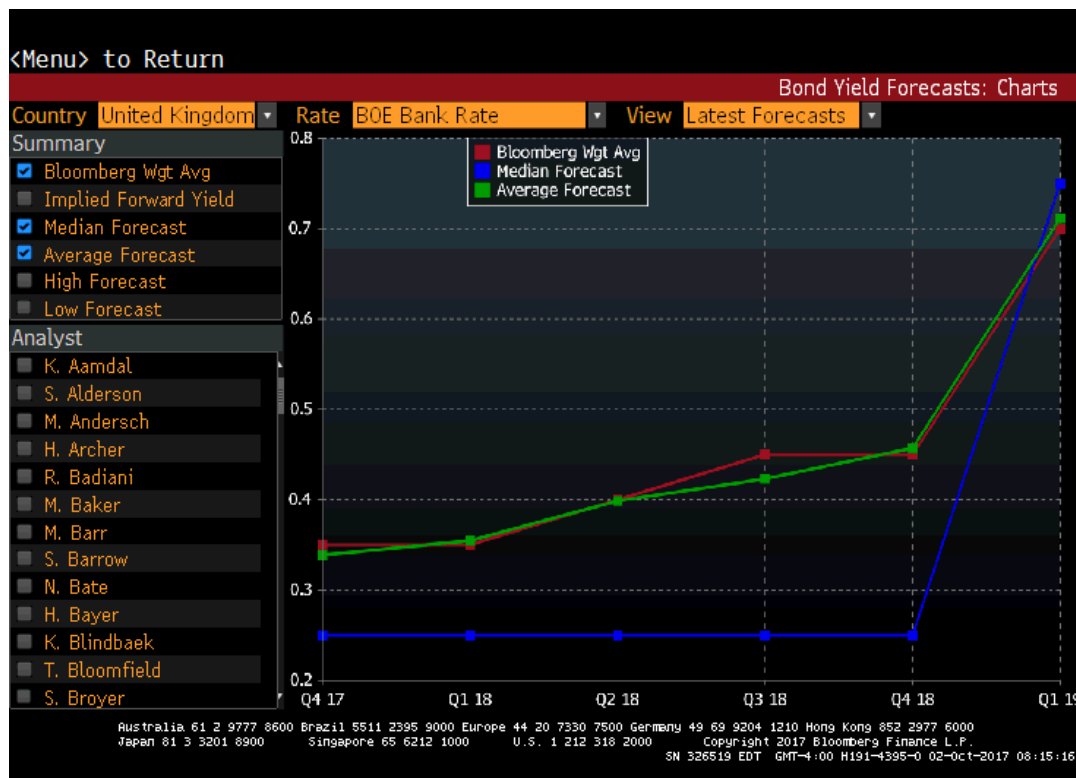


- A £36bn set of bonds backed by **non-conforming mortgages** was issued before the financial crisis.
- Do not respect the standard imposed by the UK high street lenders because:
 - **Self-certified mortgages,**
 - **Too low income borrowers.**



Risks on the UK Debt Market (2)

- An increase in the BoE reference rate would increase dramatically the risk of default by the borrowers.
- The investors would not receive anymore their cash-flows depending on which tranche they have invested in.
- Current BoE's interest rate: 0.25% with CPI of +2.9% in August 2017.



- UK debt downgraded last week by Moody's from Aa1 to Aa2.

Column1	Moody's	S&P's	Fitch
Outlook	Stable	Negative	Negative
Credit Ratings	Aa2	Aau	AA
Effective Date	9/22/2017	6/27/2016	6/27/2016