

On Fri, Jan 24, 2014 at 6:25 AM, Vinit Sahn <[REDACTED]> wrote:
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Jeffrey - quick update, market is long and hurting here. EM driving a risk off move here. Positioning is very skewed here and there is pain on the street in Credit, Equities, Rates and FX. Itraxx main has moved 8bps today from the tight (73 to 81) and liquidity has dried up in credit spreads !!!

1) think MXN bonos still best EM risk there, however correlations in EM are moving up. Chart of Ashmore stock below reflects sentiment in EM (probably one of the best EM funds out there). The MXN bond as moved about 10bps in yield and all EM ccys breaking out, driven by Turkey, USDMXN about 3% weaker since we traded. Net Net we are down around 3.5-4%, as the around 3% on ccy and 1% on bond (using last nights bond prices)

2) Depending on how much risk u have in EM, we need to look at how we want to trade this. If ure exposure to EM v low, we can hang in and take some pain as it will be volatile. Market is unwinding leverage, \$/JPY much lower, EM ccys wider, financials weaker, Nikkei lower, credit spreads wider all etc. The potential China trust product default end of month spooking people here.

3) In EM space Turkey is leading this move - potential mis-steps from the central bank risks leaving it with too few USD reserves. The contagion channel to other markets is investors who see TRY/BRL/ZAR cheapening and sell their broader EM holdings into DM as we saw yesterday. Until yesterday EM was weakening in a vacuum. It seems to me that right now Turkey is the epi-center of the EM storm. Ukraine, Argentina and China (ICBC trust default Jan31) all add event risk.

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