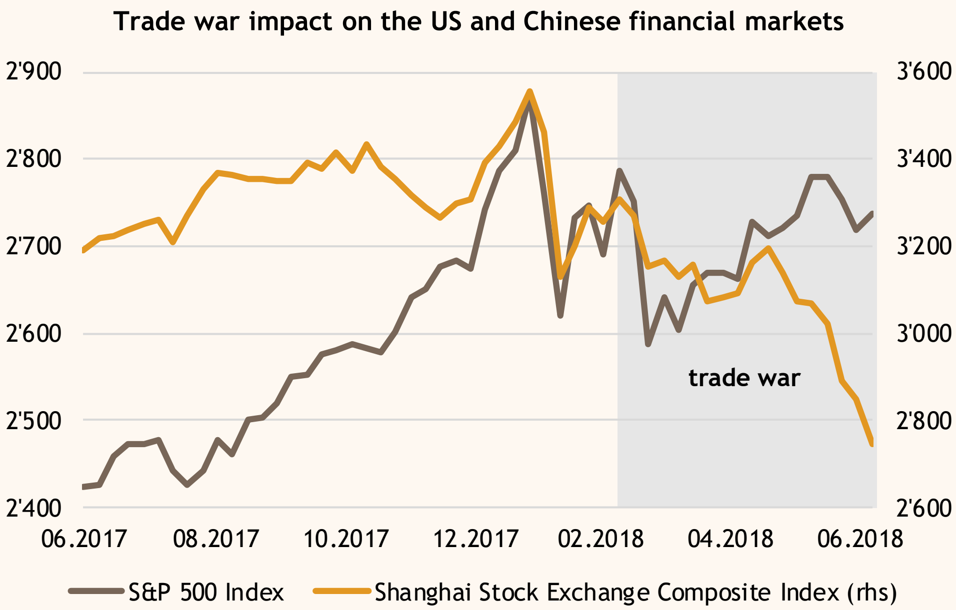
## Key Economic Figures/Events of the Week

- This week again, the US–China trade tensions dominated global financial markets. As a reminder, today (6 July 2018), Washington is moving from words to actions jacking up tariffs on USD 34 bn worth of Chinese goods. Despite Beijing's claims that it “absolutely will not fire the first shot”, China will most probably hit back by imposing similar levies on agricultural products and cars imported from the US. Amid the escalating trade spat investors keep moving out of the emerging markets into safer assets, with the 10-year US Treasury yields falling by 4 bps to reach 2.83% by mid-week. A full-blown trade war is clearly not in the interest of China, so it is not going to weaponise the recent Yuan devaluation. The People’s Bank of China Governor vowed to keep the nation’s currency stable and maintain the exchange rate “at a reasonable and balanced level”, which was enough to send the USD/CNY rate sliding below the 6.7 mark once again.




- Last Sunday (1 July 2018), Andrés Manuel López Obrador (AMLO) lived up to the expectations and scored a landslide victory in Mexico's presidential election. Once dubbed “a danger to Mexico”, he will be the first leftist in decades to take the presidency in Mexico. His election threatens the energy and economic reforms initiated by his predecessor. The core promises of Mr Obrador’s campaign were the nationalisation of the energy sector and stronger government control over the national economy. The mood in financial markets turned sour following the announcement of Obrador’s win. But we still believe that the new president will take a cautious approach to economic and tax reforms, which will have a positive impact on the investment climate and the prices of Mexican bonds (as a reminder, our average Mexican exposure currently stands at some 10%).
- Saudi Arabia and Russia confirmed the decision by OPEC+ to hike oil output by 1 million bopd. The energy ministers of both countries also resolved to review the oil production controls currently in place to accommodate the new arrangements. According to the oil tanker monitoring data, June saw Saudi Arabia increase its oil exports by 0.322 million bopd to 7.467 million barrels, the highest level since March 2017. On the back of escalating trade tensions Brent dropped below $77 this week.

### Weekly Investment Insights

- VimpelCom (Ba2/BB/BB+) is selling its 50% stake in Wind Tre, a joint venture established in 2016 between VimpelCom's Italian business and a subsidiary of CK Hutchison Holdings. CK agreed to buy VimpelCom out of the joint venture for an estimated EUR 2.45 bn, with VimpelCom set to fully exit the Italian telecom venture after securing regulatory approvals in the EU and Italy. The markets responded positively to the news. VimpelCom bonds added more than 1% justifying our broad exposure to them.

- Brazil's BRF (Ba2/BB+/BBB-), one of the world's largest meat producers, announced this week its plans to sell part of its assets, including operations in Europe, Argentina and Thailand, and focus on Brazil, Asia and other markets where the company enjoys a leading position. The sell-off is estimated at USD 1.3 bn and came as a tailwind for BRF's bonds driving a growth of more than 1.5%. We continue holding BRF bonds in our portfolios, as, in our view, they offer further upside.

### Strategy

As capital outflows from the emerging bond markets continued this week, we took a wait-and-see approach avoiding any significant moves. That said, we keep monitoring the market looking for new investment opportunities.

## We hope you find this information useful and will be glad to answer your questions

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