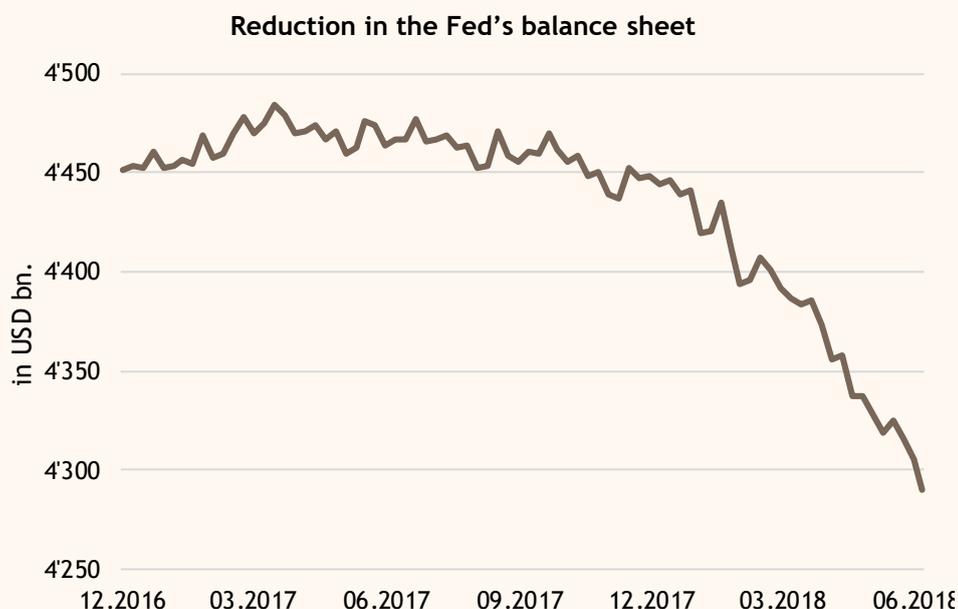


Key Economic Figures/Events of the Week

- Global financial markets started the week on the rise. The US jobs report released last Friday (6 July), with the results well beyond analysts' expectations, improved the market sentiment ahead of the earnings season. Brent futures neared USD 80 per barrel on the back of the expected US economic sanctions against Iran. All of the above drove risk appetite, which, in turn, resulted in higher US indices. By Wednesday (11 July) Dow Jones gained 1.9%, and yields on 10-year US Treasuries rose 2 bps to 2.85%. The market landscape changed with investors' biggest concern being the US-China trade tensions, as on Wednesday (11 July) Donald Trump instructed his administration to impose a 10% tariff hike on Chinese imports worth USD 200 bn. European and Chinese equity indices reacted by losing some 1.5%, while the US indices shed 0.7%. The yields of US Treasuries added another 1 bp. However, the correction was short-lived and on Thursday (12 July) the markets continued to grow.



- The Fed continues to slim down its USD 4.290 tn balance sheet, which is currently USD 226 bn below its maximum. Importantly, each month the Fed withdraws from the economy USD 40 bn, which is more than the ECB's inflows (EUR 30 bn) for the same period.
- This week, for the first time in three months, there were inflows into EM bond funds. EM bond fund inflows were USD 617 mn, up from USD 1.2 bn outflows a week ago. This provided substantial support to the Eurobond market, which (except for Turkey) closed this week with growth.
- The newly elected Turkish President Recep Tayyip Erdogan named the members of his cabinet on the day of his inauguration (9 July). The president now has executive powers under Turkey's constitutional amendments which abolished the office of prime minister. Erdogan's son-in-law Berat Albayrak, who previously served as Minister of Energy and Natural Resources, assumed responsibility for Turkey's finances. Running the Turkish economy as a family affair raises serious doubts about future reforms. These developments hurt investor sentiment, triggering sell-offs across the country's markets and further depreciation of Turkey's currency.

Weekly Investment Insights

- Standard & Poor's will revise its outlook on VimpelCom (Ba2/BB/BB+) to positive following the news that the company is selling its stake in the joint venture Wind Tre, which we wrote about last week. Standard & Poor's believes that the sale of the Italian business and the purchase of new assets in Bangladesh and Pakistan will help VimpelCom deleverage.
- Pedro Parente, who recently took over as CEO at Brazil's BRF (Ba2/BB+/BBB-) after leaving the similar post at Petrobras, has extensive experience in restructuring inefficient companies. He plans to furlough 1,400 employees for up to five months seeking to boost the company's efficiency. This initiative was welcomed by the markets and came as a tailwind for BRF's bonds driving a growth of another 1.5% above the last week's strong performance.

Strategy

This week, we kept monitoring the global financial markets without taking any active steps. Our portfolios are almost fully invested, with their allocation (average duration, country and industry diversification) best suited to the current market trends.

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

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