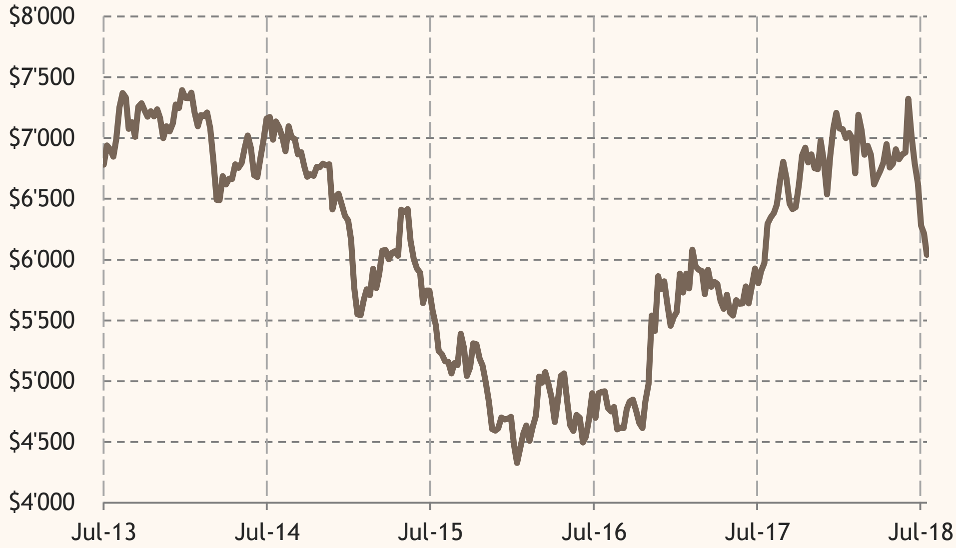
**Key Economic Figures/Events of the Week**

- As the US reporting season chugs along, most corporates are outperforming analyst forecasts for Q2 2018 thus boosting investor sentiment across the board.
- In his speech on 17 July Fed Chair Jerome Powell said that the best way forward was to keep gradually raising the interest rate, with the markets having priced in two more 0.25% hikes until year-end. Powell also said that he expected the economy to remain strong and inflation to stay near 2% during the year. Market participants took note of the regulator's flexibility over the monetary policy. The speech reaffirmed the market's yield expectations and caused no significant movements in bonds setting the stage for a return to the risk-on mode.

**Copper price dynamics during recent 5 years**




- Despite Jerome Powell's encouraging speech, the growth of long-term bond yields has been sluggish at best, while the commodity market has been down month-to-date. For example, copper prices fell to last summer's levels and lost 15% since the start of the year reflecting the market's uncertainty about the prospects of global growth further undermined by a new round of trade war tensions. Overall, bonds benefit from the current environment of continued economic growth and moderate inflation expectations, which may boost prices as long as there are no global disruptions.
- The Trump-Putin Helsinki meeting on 16 July brought no major surprises to the markets.

**Weekly Investment Insights**

•Deutsche Bank's actual figures for 2Q18 have far exceeded the analyst consensus in terms of both revenue and net profit. The financial conglomerate is currently restructuring its business, actively scaling back its costly trading operations and shrinking back from competition with the US investment banks. The news proved a supporting factor for the bank's bonds, having resulted in a 1% price increase. We maintain our allocation to the DB bonds.

- NEMAK (BB+), global automotive parts manufacturing company headquartered in Mexico, published 2Q18 financial results, which surpassed analyst forecasts for revenue and operating income. Net debt/EBITDA stays within 2x which corresponds to moderate debt burden. We believe that the company may be upgraded to the investment grade rating if there are no negative surprises on the country level. We keep Nemak's Eurobonds denominated in euro.
- Severstal, Russia's steel and mining company, has published its statements for 2Q18 which have also beaten the analyst expectations. The company's net debt went down to USD 153 m bringing the leverage close to zero. We continue to hold Severstal bonds.

**Strategy**

Our portfolios are almost fully invested and do not require adjustments in the current conditions. Bonds from Mexico, Turkey and Indonesia which we recently added to portfolios started enjoying demand. Liquidity has been worsening due to summer holiday season therefore the trading activity will be limited till autumn. We keep monitoring the global financial markets and will take active steps if needed.

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

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