

Key Economic Figures/Events of the Week

• The week started on an optimistic note: The USA and Mexico reached a trade agreement. The news was positive for Mexican market and risk appetite in general. Canadian officials continued negotiations with US colleagues and expected to join a trilateral pact by the end of Friday (31/08). However investors' hopes for a deal with China were dented by Mr.Trump saying, that he will not accept "one-sided" trade policy.



10 year US Treasuries have been traded in line with seasonality factor year-to-date

Source: Topdown Charts

- Second reading on 2Q18 US GDP growth (at 4.2%) surpassed analyst expectations (4%), while PCE (personal consumption expenditures) deflator was in line with expectations at 2.3%, which is still the highest level since 2012. The markets ignored the statistics which followed FED Chairman speech in Jackson Hole symposium last Friday (24/08). Mr. Powell commented that the FED will continue policy normalization under condition of "strong growth in income and jobs", although the risks of inflation exceeding the Fed's 2% target are quite low in his opinion. At the same time he emphasized that "risk factors abroad and at home" could require policy adjustments. His comments were seen as dovish in general which resulted in UST yields decreasing. Interesting enough, global investment houses began to review their end of year 2018 UST yields forecast downwards. That could create positive environment for fixed income markets.
- The week ends on a risk-off note with another slump in Argentine and Turkish currencies, that put some pressure on other EM currencies as well as fixed-income markets.

Weekly Investment Insights

• Primary market is still non-existent, while secondary market is super volatile with low trading volumes.

Fixed Income Weekly Summary, 31 August 2018

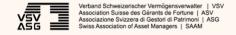


Strategy

We refrained from any trading activity this week. High volatility depress investors and any piece of news is being seen as negative. However, the history shows that a turn-around could happen within days. For example, reached trade agreements decrease the risks of full-fledged trade war and give hopes for market growth.

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

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