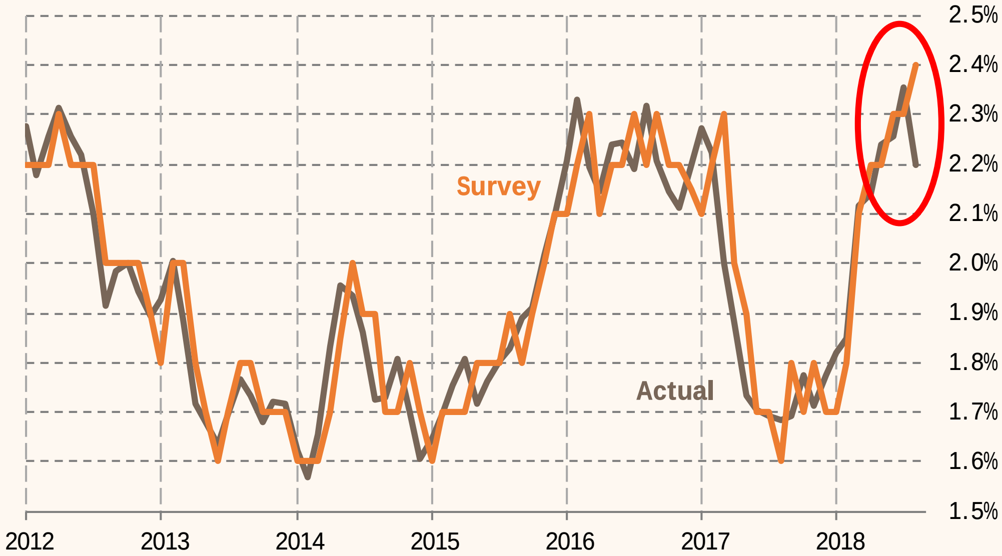
Key Economic Figures/Events of the Week

- The markets were still surpressured by the trade war rhetoric when Donald Trump said he was prepared to introduce import tariffs not only on USD 200 bn worth of goods in question, but also on USD 267 bn of imports from China some time soon.

- On 11 September, Argentina's central bank left its benchmark overnight interest rate at 60%, which is the highest rate in the world, and promised to maintain it till December. The bank had to resort to extreme measures two weeks ago and raise the rate from 45% to 60% in an effort to shore up the plunging peso — it had depreciated over 50% since the beginning of the year. The head of the central bank commented that the inflation persists and the economy will see a recession, based on this and next years' results. Both the decision and the comment were in line with the analysts' expectations and did not result in any dramatic changes in the FX market. In the absence of bad news, Argentine bonds have somewhat grown.

Actual and survey data on U.S. CPI ex food and energy



- The US data published on 13 September showed some decrease in inflation: CPI ex food and energy YoY didn't meet market expectations (2.4%) and rose 2.2% in August versus 2.4% in July. The data set revived talks about possible review of Fed rate increase pace downwards. We believe that the Fed will need more data before changing its policy. The regulator officials mentioned in its latest communique that they monitor closely statistics and are ready to adjust the monetary policy to new economic environment should it take place.

- On 12 September Donald Trump signed an executive order allowing sanctions against any individual, entity or country which authorises, directs, sponsors or supports interference with the November Congressional elections through social media and/or hacking attempts. The news led to a brief fall of the Russian rouble but was generally ignored by the Eurobonds market. The market players fear that this may be a sign of increasing sanctions pressure on Russia.

- Turkish CB raised interest rate by 625 bp up to 24% yesterday (13/09) to stem the currency crisis. Such a big

- increase was unexpected by market participants given the morning comments by President R. Erdogan that the economy needed some stimulus through keeping rates low. The Turkish lira strengthened by 5% after the CB's decision, while Turkish bonds added about 3%-4% in price terms. We keep bonds of Turkish issuers and believe that the prices may recover more in the absence of bad news.

- Liquidity has started returning to markets, after the summer break. The primary market has also become active again. This week, it saw several placements, mostly by high-rated issuers from the Middle East. We did not participate as we are not planning to increase the share of the Middle East in our portfolio.

Weekly Investment Insights

- We didn't see any major corporate news this week.

Strategy

We did not make any transactions this week since we opt for keeping the current portfolio structure unchanged so far. Our basic scenario also remains unchanged: the growth of the world economy creates favourable conditions for EM, which should result in increasing prices in the EM bond markets. However, political factors continue affecting the financial markets, which makes them highly volatile, and so we maintain conservative duration (at 5 years), high portfolio quality and diversification.

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

AXIOMA Wealth Management AG
Bleicherweg 45, CH-8002 Zurich
Tel.: + 41 43 305 07 10
info@axiomag.ch
www.axiomag.ch

Disclaimer