

Key Economic Figures/Events of the Week

- The start of this week saw continued worries and lower risk appetite in global financial markets. Some sources said that the White House was going to raise tariffs on all Chinese imports if the upcoming talks between US President Donald Trump and China's leader Xi Jinping failed to yield a trade deal. This supported further sell-offs across equity markets, making this asset class perform worse in October than it ever did in the past six years. As investors retreated to traditional safe havens, the yield of both short (2-year) and long (10-year) US Treasuries decreased by 4 bps, while the US dollar strengthened against major global currencies.
- The Mexican peso was hit the hardest out of all the emerging market currencies, having dropped by 1.4%. The peso weakened due to a referendum that rejected plans for the new airport near the capital, which had been under construction since 2015. The project was opposed by the country's President-elect and 69% of the referendum voters.

Result of Mexico City Airport referendum push peso down
(peso per US dollar)



- In the second half of the week, volatility abated slightly due to a number of reasons. Donald Trump declared he did not rule out possible progress on trade with China. In October, the US nonfarm payrolls rose 250,000 which is far ahead of analyst expectations (200,000). Coupled with the U.S. Department of the Treasury's plans to issue new debt worth USD 1.34 tn by the end of 2018, all these factors boosted UST yields.
- Things are looking up for Brazil as Jair Bolsonaro, a right-wing candidate, won the presidential election on the second round past Sunday (28 October) with over 55% of the votes. Investors expect his administration to focus on fiscal policy reforms that are set to bolster the national economy.

Weekly Investment Insights

- CF Industries (BB+/Ba3/BB+), a North American manufacturer of nitrogen fertilizers, announced Wednesday (31 October) its 3Q18 sales (USD 1.04 bn), outperforming analyst forecasts by 4% (USD 999.7 m). The company expects sustainable demand for its products until mid-2019. Over the past 12 months, nitrogen fertilizer prices in the US went up 20%. The company's bonds are well represented in our portfolios and offer upside potential

- on the back of the issuer's strong financial performance.
- Ecopetrol (BBB-/Baa3/BBB), a state-owned oil company in Colombia, posted Wednesday (31 October) its 3Q18 financial statements, which showed the company's net profit in the reporting period to have increased to COP 2.77 tn (USD 866.5 m), up 177% from the same period a year ago. Even with the significant growth, however, Ecopetrol was unable to match analyst expectations, which put the company's net profit at COP 3.38 tn. As a result, the company's bond prices continued to decline. Given the extensive state support for the company, as well as the 2016 tax reform that eased Ecopetrol's tax burden and has already resulted in the Net Debt / EBITDA ratio dropping to 1.24x, we maintain our allocation to the company's bonds.
- Express Scripts (BBB+/Baa2/BBB), the largest US pharmacy benefit management organization, published its 3Q18 results, which exceeded analyst expectations. The company, whose merger with Cigna was cleared by the federal authorities at the start of the year, reported revenue of USD 25.6 bn (vs guidance of USD 25.02 bn) and a 27% increase in profit, which went up to USD 1.1 bn. We hold on to the company's bonds as we expect them to increase in price.

Strategy

We did not change our portfolio structure this week and continue to closely monitor market developments looking for new investment opportunities.

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

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