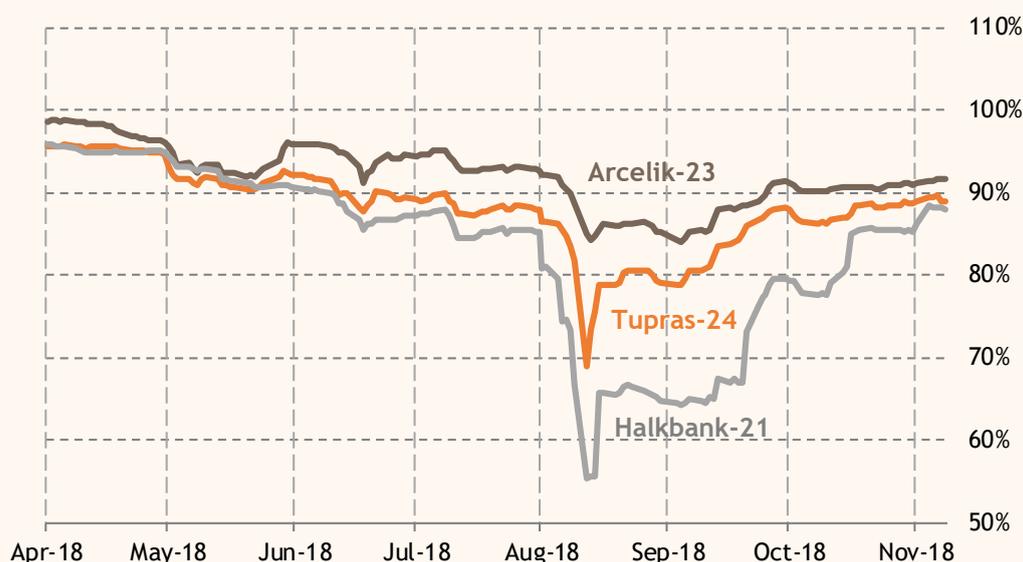


Key Economic Figures/Events of the Week

- With the US midterm elections taking place on 6 November, the markets greeted the week in a state of anticipation for their results. In line with the general expectations, Republicans ended up retaining control of the Senate while Democrats succeeded in seizing the House. Upon reflection, investors saw a bright side to this Congressional divide as it would put the President's initiatives under double scrutiny. As a result, risk appetite went up leading to an incremental increase in the US Treasury yields and an upsurge in the primary market activity.
- The week also brought several positive developments for Turkey, which led to further appreciation of the Turkish lira and bonds. In addition to dropping sanctions against Turkish officials following the release of the American pastor, Turkish President hinted there could be a softer tone on Halkbank case, which faces potential US fines after an executive was convicted of taking part in a scheme to help Iran evade US sanctions. Berat Albayrak, Turkey's Minister of Finance, said the country's economy was headed for a "soft landing". Finally, Turkey became one of the countries to receive a temporary waiver from the US to buy Iranian crude, which came as encouraging news for a net oil importer.

Dynamics of some Turkish bonds prices



- At its meeting that concluded on 8 November the Federal Reserve left its benchmark interest rate unchanged at 2.25% in line with the earlier expectations. Based on the recent robust economic data, the market has priced in an 80% chance of a rate hike next month at the 19 December meeting.

Weekly Investment Insights

- CEMEX (BB/BB-), a Mexican building materials company, has announced its 3Q18 financial results. Its revenue went up, but higher logistics and raw materials expenses resulted in lower EBITDA margin. Still, the company stays on course to reduce its leverage, with Net Debt/EBITDA ratio having further decreased from 4.0x down to 3.9x. We hold CEMEX bonds in our portfolios as we expect their performance to improve in line with the

- company's financials.
- Petrobras (BB-/Ba2/BB-), Brazil's state-owned oil company, has also reported higher revenues in 3Q18, while its EBITDA went down due to increased expenses and raw materials prices. Despite lower debt, the Net Debt / EBITDA ratio inched up to reach 2.4x at the end of the quarter. The company intends to continue reducing debt through asset sales. Petrobras bonds are one of our top allocations, with their prices having demonstrated considerable growth in October. The company's overall credit profile warrants a higher rating, but it is being held back by the country's credit rating.
- Gerdau (BBB-/BBB-), a Brazilian steel producer, published its 3Q18 financial results that surpassed analyst expectations on both revenue and EBITDA. The company's leverage continued to go down, with the Net Debt / EBITDA ratio reaching 2.2x. We keep holding the company's bonds in our portfolio as relatively low credit risk instruments with a comfortable yield.

Strategy

This week we took part in the initial offering of Indonesia Asahan Aluminium (Baa2/BBB-), a state-owned Indonesian miner, which went to market with 4 tranches of debut 3-, 5-, 10- and 30-year bonds boasting hefty premiums. We placed orders for the 10-year issue, but its yield ended up way below our cut-off. The company sold USD 4 bn worth of bonds at yields that were 50-60 bps below the initial guidance. We continue to monitor the market, but seeing how our portfolios are fully invested we plan no significant moves.

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

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