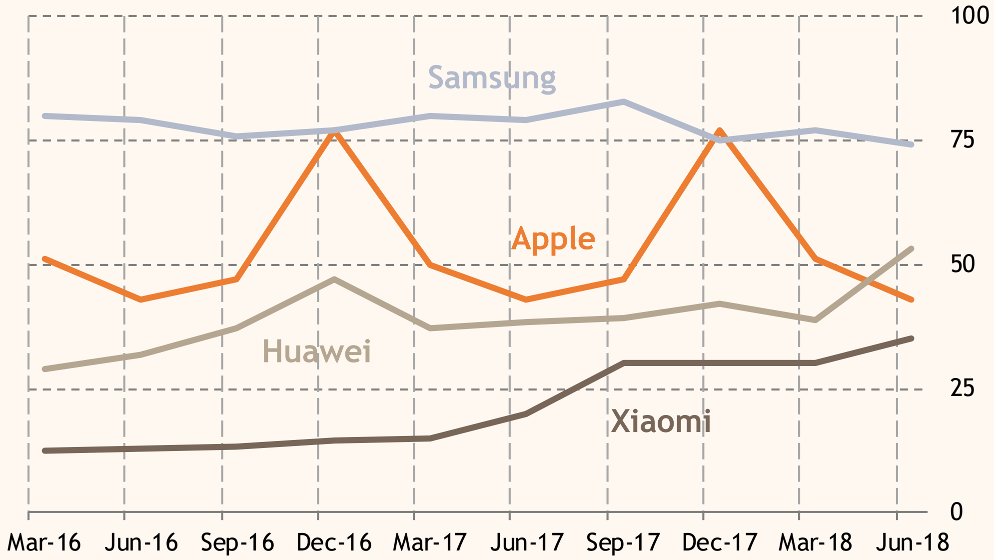
Key Economic Figures/Events of the Week

- With a cease-fire announced in the US-China trade war, the markets greeted the week with optimism. The meeting of world leaders at the G20 summit in Argentina last weekend resulted in a 90-day truce for the countries to seek a solution to their trade disputes. The US will leave tariffs on USD 200 bn worth of Chinese imports at 10% after 1 January 2019, to be raised to 25% if the parties are unable to reach an agreement. At the same time, China promised to immediately proceed with increasing imports of US goods to cut the trade deficit.

- But the optimism did not last. The market players came to doubt the US President's commitment following new tariff threats in his Twitter and the detention of Huawei's CFO in Canada. Meng Wanzhou, the founder's daughter and CFO, was arrested in Canada and is facing extradition to the US over potential violations of American sanctions on Iran. Huawei is a global leader in electronics manufacturing.

4 top companies by worldwide smartphone shipments, mln units



- The Beige Book overview of the current economic condition released eight times a year, two weeks before each FOMC meeting, gave the market players some hope for an earlier-than-expected end of the hiking cycle. In this context, the US treasury yields continued to decline and the 10-year notes closed below 2.9% on Thursday, 6 December. We expect another hike in December and two more in 1H 2019.

- The optimism around trade disputes resolution supported the oil prices. The Russian and Saudi leaders met before the OPEC+ session scheduled for 6-7 December, and agreed to extend a cooperation pact on output cuts, but lack of details made analysts doubtful about the future of the agreement and its impact on the crude pricing trends.

Weekly Investment Insights

- The announced buyback of bonds issued to finance the new terminal of the Mexico City airport supported the value of all Mexican bonds. The tender offer was announced with a large premium to the market: the final price will be decided through a Dutch auction with a predetermined range of 90–100%. Before the announcement, the bonds were traded at 75-82% depending on their maturity date. However, the simultaneous change of the covenants adverse for investors, the buyback price below the face value, and the buyback volume limit of 30% make the investors question the intentions of the Mexican government that would probably keep the prices down. We believe that such a big and integrated economy will hardly be able to develop without foreign investments and the country's government will have to become more investor-friendly after all. Still, the uncertainty and doubt will persist for a while. We maintain a 10% share of Mexican bonds in our portfolio and think them to be one of the top ideas for 2019.

Strategy

Given our fully invested portfolios, we took no active steps this week. The next week is de facto the last active week of the year. The liquidity will then decline, to recover after the holiday season, in 2019.

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

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