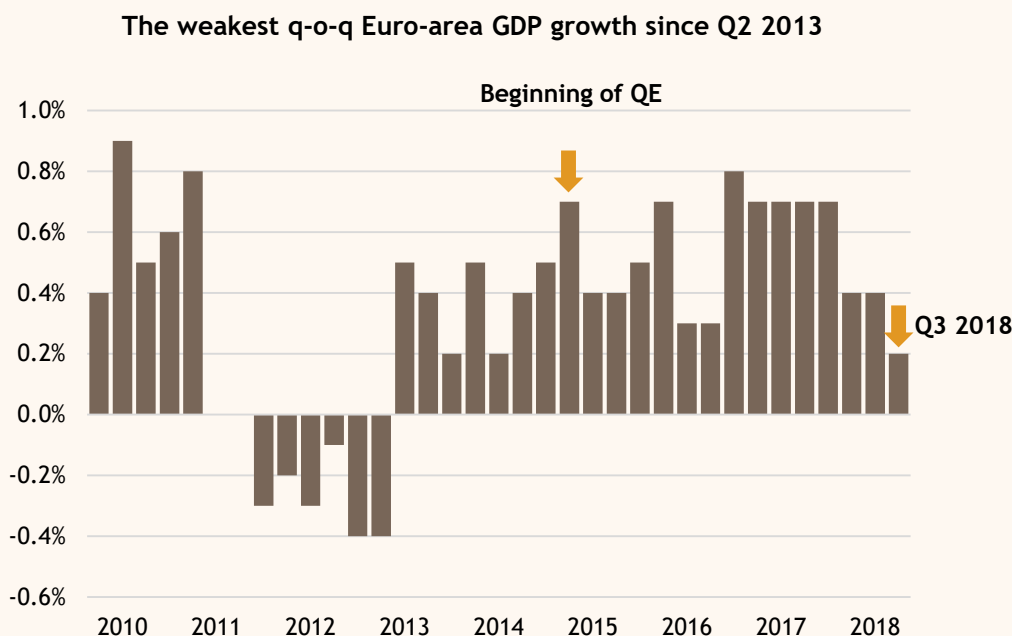


Key Economic Figures/Events of the Week

- This week, the front pages of world news feeds were mainly devoted to events in the UK, where Prime Minister Theresa May announced on Monday (December 10) her decision to postpone scheduled for Tuesday (December 11) a parliamentary vote on Brexit plan. This caused strong dissatisfaction among the parliamentarians, and Mrs. May's party members initiated a no-confidence vote in Prime-Minister leadership. This put significant pressure on the GBP which fell below 1.25. Wednesday night (December 12) the vote was held with the result of 200/117 in support of Theresa May, which gives her immunity for 1 year. However, such an uncertain victory makes the passage of the Brexit deal even more challenging.



- On Thursday (December 13), the ECB kept monetary policy unchanged and at the press conference Mario Draghi confirmed that the quantitative easing program would be wrapped up before the year-end. The ECB lowered its forecasts for next year GDP growth and inflation from 1.8% to 1.7% and from 1.7% to 1.6% respectively. Thus, the answer to the question whether the first rate hike will take place in 2019 and, if so, how much is becoming less and less obvious.
- Relations between the US and China remain uncertain. Beijing lodged a protest with the ambassadors of the United States and Canada to China over the arrest of the CFO of technology giant Huawei. Peter Navarro, the White House trade advisor, stated once again that the United States will increase tariffs on Chinese imports should the both sides fail to find a resolution to the trade war during the 90-day truce. However, later this week Beijing expressed its willingness to reduce tariffs on US cars from 40% to 15%, while US President Trump called the negotiations with China "very productive." Meanwhile, Huawei's CFO was released on bail by a Canadian court.
- The US labor market statistics showed an increase in nonfarm payrolls by 155k in November, which is 43k below analysts' forecast. This caused US Treasury yields to fall. The yield on the US 10y closed the week at the level

of 2.88%. Next week on Wednesday (December 19) the last this year Fed meeting will take place. Markets expect another rate hike of 25 bp. and will be waiting for monetary policy guidelines for 2019.

- OPEC+ member countries managed to agree on a reduction in oil production by 1.2 million barrels per day from October levels. The agreement will enter into force in January next year. In Libya, the militia group seized the largest oil field in the country, and the latest statistics indicate a decline in US crude oil inventory. All these factors have supported oil prices, which are now at \$61 per barrel of Brent crude.

Weekly Investment Insights

- The Brazilian state-owned oil company Petrobras (BB-/Ba2/BB-) has announced the purchase of some issues of its bonds. The final purchase price will be determined by the results of the Dutch auction. However, the maximum final price level does not exceed the current market prices, which makes the repurchase offer a little attractive. However, we find it important that the company is making efforts to reduce the debt burden. So we made the decision not to participate in this corporate action.

Strategy

This week we purchased sovereign bonds of the Republic of Namibia (BB + / Ba1) with redemption in October 2025 and a yield to maturity of 6.87% after the bonds showed a widening of credit spreads by 150 bp. since the beginning of the quarter, and the international rating agency Moody's has confirmed the country's rating.

We continue to monitor the markets in search of new investment ideas.

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

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