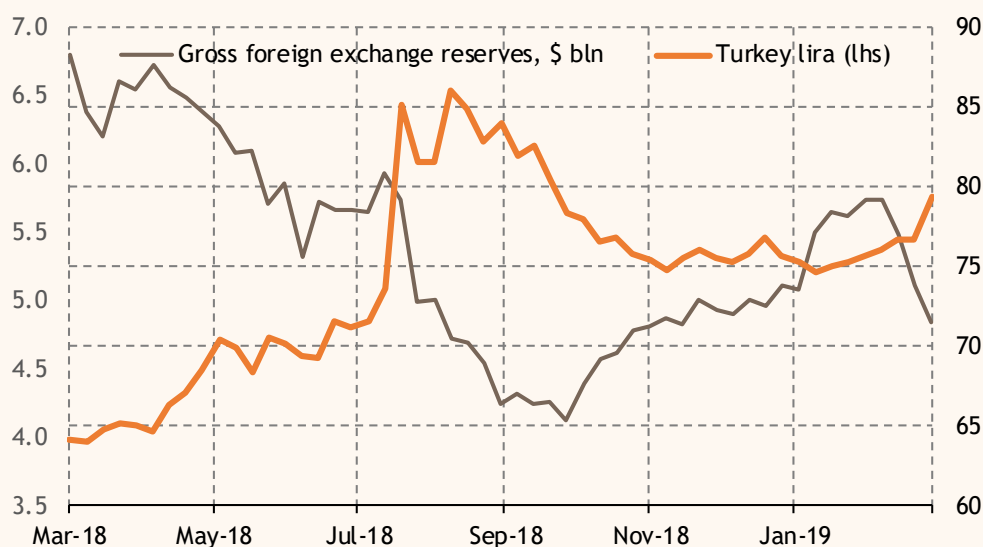


Key Economic Figures/Events of the Week

- This week we saw an increase in market volatility after the release of weak manufacturing statistics for March in Germany. Specifically, the German industrial production index fell to its lowest level in the last 6 years. The slowdown in global economic growth raises investor concerns and leads to a decrease in risk appetite.
- In addition, on Friday (March 22), data came out that demonstrated a sharp decline in Turkey's FX reserves over the past week. This increased the pressure on the Turkish lira, which already did not feel very confident just before the local government elections, which should pass on Sunday (March 31). Against this background, the Turkish Eurobond market has also remained under pressure. We believe that the drop in central bank's FX reserves is primarily due to high oil prices, which is the majority of Turkish import, and the upcoming elections are not so important and are unlikely to seriously change the balance of power. We hold short-term Turkish bonds, the volatility of which is not very high, and have not taken any action with them during this time.

Turkish lira and central bank's FX reserves



Source: Bloomberg (28.03.2019)

- The Brazilian real has also been under pressure since the end of last week. Brazilian president Jair Bolsonaro faces serious difficulties in the course of his election program. The pension reform bill is still not approved, while Paulo Guedes, the presidential economic adviser, canceled his meeting with members of the parliamentary commission to discuss this reform due to heavy critics. Brazilian securities have grown quite strongly since the end of last year, and we partially fixed the profit on them, because we believe that the current situation may drag on for a long time, and investors will lose faith in the new president and his team.
- During his speech on Wednesday (March 27), ECB Head Mario Draghi stressed that the rate increase could be further delayed if necessary. In addition, options are being considered to mitigate the negative impact of negative rates on the banking sector. Against this background, the yield on 10-year German government bonds again went into the negative zone for the first time since 2016.

Weekly Investment Insights

- Enel (Baa2/BBB+/A-), Italian energy company, published financial results for the year 2018, which came in line with the upper range of analysts expectations. In addition, the company improved its outlook for 2019 due to the growing renewable energy exposure and broad geographical diversification. There are long Enel bonds in our portfolio, which we bought last year amid a correction in the Italian market due to increased political risks. We continue to hold them, but, perhaps, we will begin to partially take profits.
- Tata Group will join a consortium of Singapore's sovereign wealth fund GIC and SSG Capital Management. Investors will buy out a stake in Indian GMR Airports (BB+), which owns and operates the country's largest airport, Hyderabad, for \$ 1.2 billion, which will reduce the company's debt by 40%. Against this background, the company's bonds maturing in 2027, which we hold in our portfolios, have grown by 3% since the beginning of the month. We continue to hold them, as we believe they still have an upside potential.

Strategy

In order to close the leverage, this week we began to partially take profit on the longest, as well as Brazilian, Mexican and the Middle East bonds from our portfolio, which showed strong growth in the last 4 months. We believe that the markets have approached their maximum levels, with the majority of positive news already in the price, and the risks of correction have increased. We will continue to sell if prices are still rising.

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

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