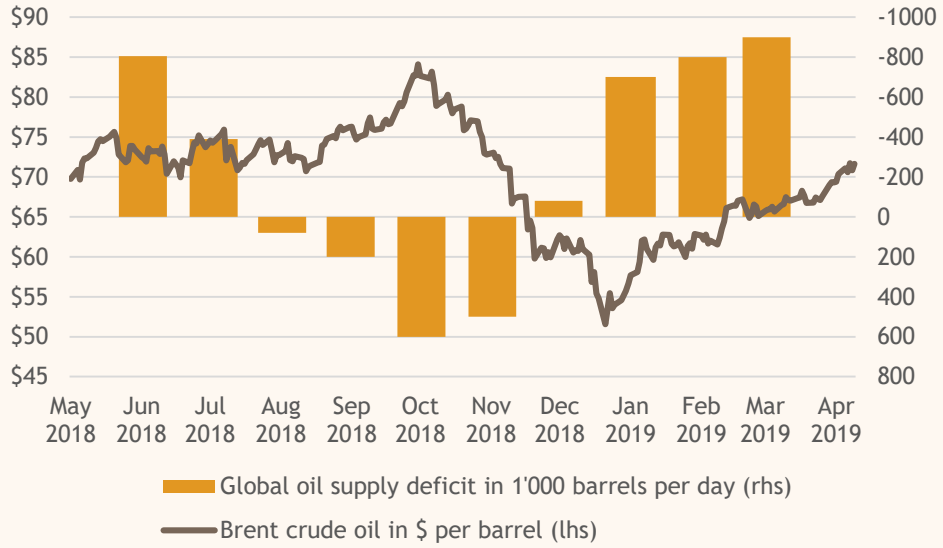
Key Economic Figures/Events of the Week

- Last week's positive market sentiment and stronger risk appetite were amplified on the back of the US jobs report released on Friday 5 April 2019. The US economy added 196,000 jobs in March, which is significantly above the analyst expectation of 177,000. Wage growth, however, fell short of the consensus estimate and came in at 0.1% vs the expected 0.3%. In addition, the US annual inflation rate rose to 1.9% in March – slightly higher than analysts expected, yet below the Fed's target of 2.0%. Given the modest economic growth and relatively low inflation rates, the regulator is most likely to refrain from raising the rates. This is also evidenced by minutes of the Fed's March meeting published on Wednesday and indicating that the majority of committee members believe this year the rate hike decision will be largely dependent on the new macro and will only be justified if strong economic growth resumes.
- This week, two top-ranking officials – White House economic adviser Larry Kudlow and Treasury Secretary Steven Mnuchin – mentioned significant progress in US-China trade talks, saying that the sides were edging closer to a trade agreement. The progress was somewhat soured by the information on the US plans to impose tariffs on USD 11 bn of EU goods in response to the bloc's subsidies for Airbus.
- The ECB left the key rate unchanged as expected on Wednesday 10 April, keeping its guidance for steady interest rates at least through the end of 2019. At the press conference that followed, ECB President Mario Draghi stated that "global headwinds continue to weigh on euro area growth developments", adding that the ECB's monetary policy could be eased if the macroeconomic environment does not start to improve soon. Meanwhile, the IMF cut its global growth outlook for 2019.
- Low OPEC oil output, an armed conflict in Libya, and American sanctions against Venezuela and Iran pushed Brent prices to their five-month highest of over USD 70 per barrel.

Brent crude price in relation to the global oil supply levels



- Historically, oil prices have responded to changes in production levels with a delay of three months. Thus, the current increase in supply shortages may soon lead to a jump in oil prices to $80-$85 per barrel.
- Following declines in the beginning of the week, US Treasury yields were rebounding on Thursday and Friday, with 10-year yields rose to 2.54%.

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Weekly Investment Insights

- Petrobras (BB-/Ba2), Brazilian state-owned oil company will get USD 9.06 billion from the government as part of the revision of the 2010 contract giving the company the rights to 5 billion barrels of oil in new deep-water exploration fields in the states of São Paulo and Rio de Janeiro. At that time its value was estimated at USD 42.5 billion. However, according to the terms of the contract, the company is entitled to compensation in case of a drop in oil prices. International rating agency Moody's notes that the USD 9.06 billion compensation is certainly a positive factor that allows the company to improve its balance sheet and reduce its debt burden.

Strategy

Given our fully invested portfolios, this week we took no active steps and keep monitoring the market.

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

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