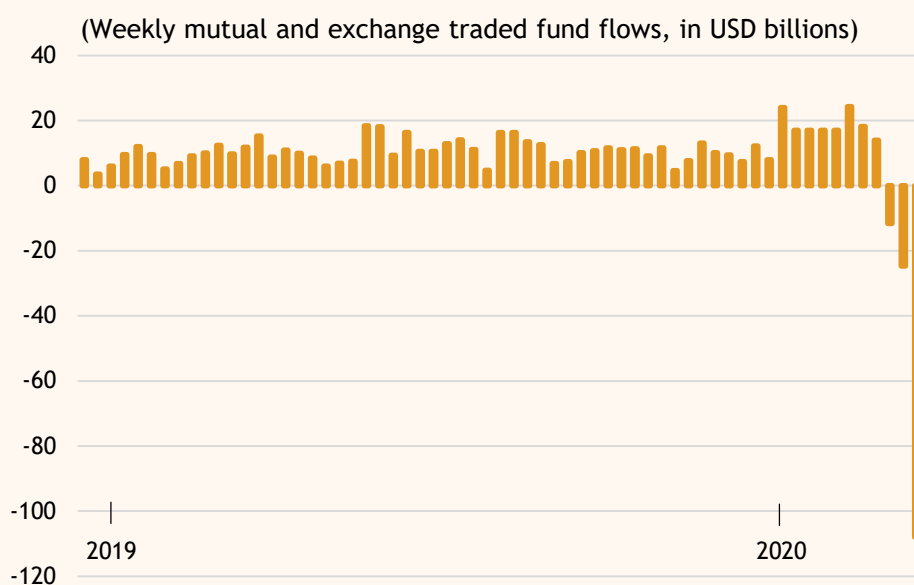


### Key Economic Figures/Events of the Week

- In a surprise move on Sunday (15/03), Federal Reserve delivered the second emergency rate cut, this time of 100 bps, magnitude of which surpassed market expectations. This makes up a total of 150 bps of monetary easing this year, bringing the benchmark interest rate down to the range of 0-0.25%. Nevertheless, this was not enough to fight panic on the markets and the week started on a negative note, with last week's selloffs continuing. After showing resilience at the beginning of the crisis, fixed income markets have been under pressure this week, as outflows from mutual funds and ETFs reached levels not seen for a long time. The number of new coronavirus infections outside of China is still on the rise and investors are increasingly concerned about a massive hit on economies, after unprecedented measures to contain the virus have been undertaken by governments around the globe.

#### Record bond funds outflow



Source: EPFR Global, Financial Times

- As the week unfolded, we saw downward movements across most of the investment universe. Liquidity on the fixed income markets suffered and we saw highly disproportionate bid and ask prices this week. Friday, however, saw an increase in bids, which is a positive sign. But extreme uncertainty will persist as long as no sign of peak in new coronavirus infections, or at least a more or less certain timeframe for containment is announced.
- Governments were forced to resort to drastic containment measures, not seen since World War II, but so were the stimulus packages taken to help alleviate the pain. Among the latest rescue measures, the European Central Bank announced a new €750 billion government and corporate bond-buying program, while promising more purchases if necessary. Fed also announced it will ask approval from the Congress to extend the bond-buying program to investment-grade corporate bonds, which should support our portfolios, as we have around 60% invested in IG bonds. The White House prepared a USD 1 trillion bailout package for approval, which would include tax cuts and direct payments to citizens, among others.
- Meanwhile, as employers are starting to lay-off workers and decrease working hours, the weekly unemployment benefits claim in the USA have risen this week. These are early signs of a strain on American labor market and the weekly jobless claims reports will be closely watched now for any clues as to the state of the economy as the damage of the virus unfolds.

- In a bid to help domestic oil producers, the US government announced a plan to buy oil worth USD 30 millions barrels to top up its reserves. President Trump also announced he would intervene in the Saudi-Russian price war, which led to oil futures jumping 24% on the announcement on Wednesday. While demand pressures are there to stay for a while, the additional burden due to the Saudi-Russian price war is a lose-lose situation. However, no steps towards negotiation have been announced so far.

### Weekly Investment Insights

- Mexico's Pemex (BBB+/Baa3/BB+) is among the companies hit the hardest by the risk-off and has its bonds trading currently at 60-70s, down more than 30% from their February top levels. At current oil prices, the company will mostly likely require more aid by the Mexican government, which has no choice but deliver, as the company is too big to fail. However, we do not increase the allocation for the investors who already have positions in Pemex bonds, as diversification is the key in times like this. The average weight of Mexican bonds in our portfolio currently stands at about 9% and we intend to keep it at the existing level.
- In light of the current situation on the oil markets, Colombian Ecopetrol (BBB-/Baa3/BBB-) was quick to announce a USD 1.2 billion decrease in capex and significant cost optimization measures. The current leverage stands at a low 1.2x and the company should not face difficulties in servicing its debt. We think other commodities companies will follow suit, as most of them have the flexibility to adapt quickly to lower prices environment and thus maintain their credit quality.

### Strategy

In turbulent times like this, it's crucial to keep cool head on when making investment decisions. We acquired some bonds of US and Latin American companies with good credit profile, that have been oversold recently. We will keep purchasing should we see further decrease in bonds' prices or signs of pandemia fading.

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

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