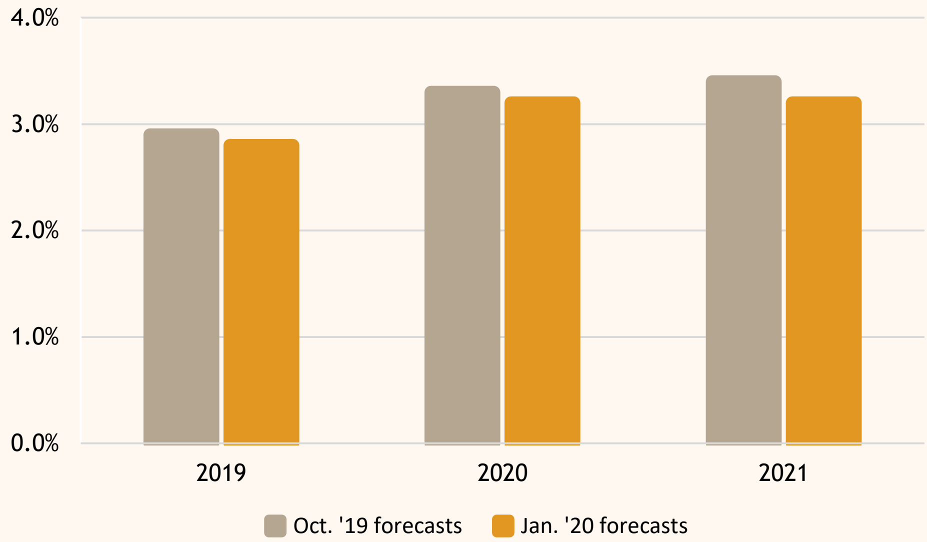
## Key Economic Figures / Events of the Week

- As world elite gathered in Davos for the annual World Economic Forum, the forecasts on global economic growth were once again the central theme. The general expectations were well summed up by the IMF, which changed its October statement of “synchronized slowdown” to “tentative stabilization, sluggish recovery”, amid a positive effect of easing geopolitical tensions. Nonetheless, IMF revised the growth forecasts down from the October projections, mainly due to an expected slowdown in India.

**IMF revises its global economic growth forecasts downward**




*Source: IMF*

- On Tuesday, the US President and its French counterpart signed a temporary truce on their trade dispute. Nevertheless, Donald Trump threatened with new tariffs, should France adopt its planned digital service tax, which will hurt American tech firms. Looking forward, we expect that trade tensions will continue being a main source of volatility in the markets this year.
- Thursday, 23 January, saw the ECB holding its first policy meeting this year. As widely expected, it left its benchmark deposit rate unchanged at its lowest-ever level of -0.5%. The focus of the investors’ attentions was however the strategic review of ECB policy methods, first since 2003, which failed to bring any significant news for the market. ECB is increasingly under pressure, as the debate on the effects of negative rates has intensified recently, also among members of the central bank. On the other hand, the prospect of a rate hike anytime soon is low, with the inflation at 1%, significantly lower than its 2% target.
- On Friday, 17 January, the US government announced that it will start selling 20-year government bonds, last sold in March 1986, to help pay for its increasing budget deficit. Although this may lead to an increase in supply of long-maturity US Treasuries, the demand also stays elevated. On the back of low government bonds yields, (10-year US Treasuries currently at 1.75% as of Thursday closing), the search for yield among investors continued this week, with speculative grade bonds of both developed countries and emerging markets enjoying great demand.

### Weekly Investment Insights

- The outbreak of the new coronavirus in China is making headlines. This caused worries among investors, as the previous similar respiratory syndrome outbreak in 2003 led to a correction on the stock markets. Nonetheless, the only Chinese issuers we hold in our portfolios are online retail, which, along global pharmacy firms, have actually seen an increase in bond prices since the outbreak.
- Brazilian steelmakers announced a 10% price hike intended for March this year. We own issues of two Brazilian steelmakers, Gerdau (BBB-) and Usiminas (BB-), which both saw a rally following the announcements.

### Strategy

On Monday, 20 January, US markets were closed for holiday. Throughout the rest of the week, primary markets continued being active, as companies are eager to take advantage of the low financing costs. This week, we acquired two USD-denominated new issues: by the British Phoenix Group Holding (BBB-, perpetual), which provides insurance and pension funds services, and Bancolombia (Baa2/BBB, 5-year). We have participated in several other primary offerings of emerging markets corporate issuers, but did not receive any allocation due to the limit. We will keep taking part in interesting primary offerings with the aim to keep our portfolios fully invested.

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

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