

**Key Economic Figures / Events of the Week**

- This week saw an improvement in investors’ sentiment amid reports that a treatment against the coronavirus is being developed. While the economic impact of the outbreak is still uncertain, the investors were eager to accept that the virus can be contained and continued enjoying the easy market conditions. Should the virus indeed be contained, we expect a fast rebound in demand, as Asian countries possess the buffers to provide more stimulus and revert the damage to their economies.
- Other news that aided the sentiment was the Chinese government’s announcement of a 50 per cent reduction in tariffs on US imported goods worth 75 billion USD, as part of the phase-one trade agreement. It will take effect next week, on 14 February, and follows a similar measure by the US government. Could this be a first step towards the phase-two agreement discussions? We think both parties will be preoccupied with their internal issues in the near future and the status-quo will be maintained for the time being.
- News that President Trump has been acquitted by the Senate following the impeachment trial hearings left the markets unimpressed, as the outcome was priced in since the early stages of the trial. Meanwhile, the focus of investors’ attention is turning towards the presidential elections. With the Democratic Party amid an internal turmoil, much uncertainty expects us ahead. No matter what the outcome of the elections will be, it will represent one of the main sources of volatility in the markets this year, as the chances for a smooth transition period are low.
- On the data front, the latest releases are pointing to a recovery in the industrial output around the globe. The latest ISM manufacturing PMI reading in the US showed an increase in production to 50.9 in January, up from 47.8 in December and the highest level since July 2019. We expect the uptick in international trade, aided by the stimulus measures from Central Banks worldwide to a stabilization in industrial production, while the current US economic cycle will extend even further.

**Us manufacturing rebounds in January**



Source: ISM, Bloomberg

- Brent crude futures fell to as low as USD 54 per barrel this week on news about the novel virus outbreak and fears about a significant drop in demand from China. Meanwhile, in Vienna, OPEC members have extended their meeting to a third day, amid contradictions between Saudi Arabia, who pushes for supply cuts, and Russia, much able to support lower prices. The cuts have to be substantial to achieve a rebound in prices.

### Weekly Investment Insights

- The Israeli pharmaceutical company Teva (BB/Ba2) has seen its bond prices rally this week after news that the company may be able to achieve a more positive settlement in the opioid crisis than previously thought. Also this week, the company has been approved a new medicine which will starting with the second quarter of the year will increase earnings. While the uncertainty regarding the opioid crisis settlement persists, we continue to hold Teva bonds in our portfolios as we think there more upside potential for the prices and the company is able to deal with the expected increase in debt following the final decision of the regulators regarding the fine.

### Strategy

As downside risks remain, we keep a more defensive position. We continue to favor primary markets for searching new investment ideas. We took part in several primary offerings but only received a small allocation in the 10-year USD-denominated issue of the Indian company Electricity Mumbai Limited Adani (BBB-/Baa3) and zero allocation in other primary offerings, due to the yield being lower than our limit, amid an increased demand.

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

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