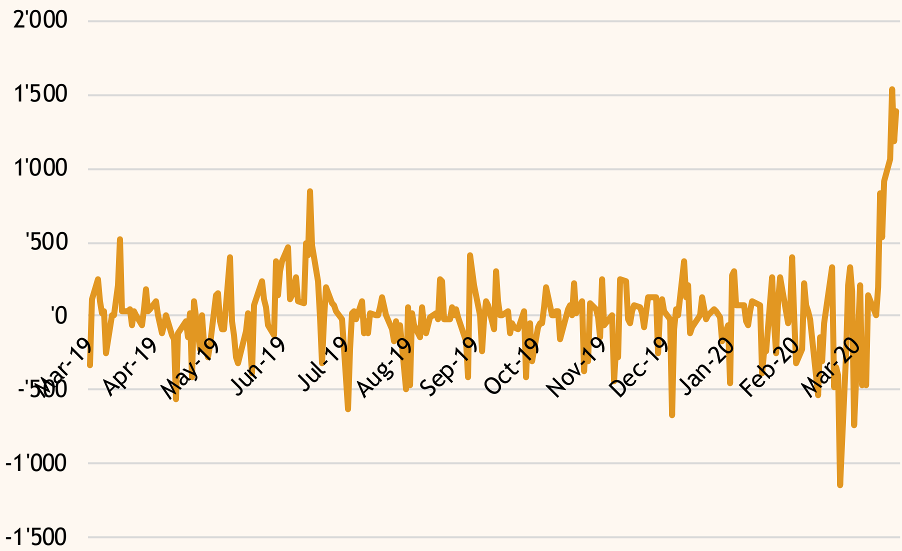
Key Economic Figures/Events of the Week

- Stimulus is the word of the week, as central banks and governments have proven ready to go a long way to bring back confidence to the markets. On Monday (23/03), the Federal Reserve announced that it would do whatever-it-takes to save the US economy, including buying as much government debt as necessary. This was not enough to calm down the markets, as investors were still reticent in believing that the measures already taken would be enough to weather out the economic turmoil due to coronavirus. The turning point of the week was Wednesday (25/03), when the US Senate passed a stimulus package of USD 2 trillion, which would include loans to corporations, tax breaks and direct payments to individuals .
- Fixed-income markets have been under severe stress until recently. This week, the outflows from the bond funds moderated, turning by the end of the week into net flows, which was a sign that financial conditions were starting to stabilize.

Significant inflows into iShares iBoxx Investment grade Corporate Bond ETF

(USD mio)



Source: Bloomberg

- The weekly number of jobless claims in the US jumped to 3.28 million, a level unseen until now. Also in the US Composite PMI index fell from 49.6 points in February to 40.5 points in March, while in Europe it stood even lower, at 31.4, and we shall probably see even worse figures ahead. At this stage, no one can predict how long the crisis will last and it is impossible to model the economic impact yet. However, there is something different about this recession. The economic downturn occurred due to social distancing polices, which would mean that, once the restrictions are removed, activity should rebound sharply. But for this to occur, one of the following things must happen: the number of new infections should decrease, a vaccine or treatment should be developed.
- Oil prices remain at very low levels with high volatility. There are some attempts from the US to step into the Russia-Saudi dispute. We believe that there could be some kind of a renegotiation between major oil producing countries as the current low oil prices don't make anyone happy. Should this happen, oil prices could rise to $40-45 per barrel according to analysts and this would be a great boost for most oil companies as well as EM markets. Meanwhile, the main US oil ETF saw record inflows, meaning investors are expecting that the current level bottomed and a price reversal will occur soon.

Weekly Investment Insights

- Norwegian oil company Aker (BBB-/Ba1), one of the companies which suffered the most amid recent market corrections, has recently announced a significant decrease in capex for this year, and that it would assess the impact of the recent decrease in oil prices before making any dividend distributions. The company's break-even price is $12 per barrel. We continue to hold Aker bonds in our portfolios, as we are positive about the company's ability to pay its debt obligations and expect their price to increase once the sentiment on the market improves.
- The newly-adopted US relief package includes a ban on stock buybacks and a limiting of executive compensations for companies seeking federal aid. This should prompt US companies to prioritise debt management which is definitely positive for bond holders.

Strategy

The recent market correction have proved a great opportunity to acquire quality names which have not otherwise been available at such high yields. We increased the leverage to the portfolios, where permitted, by utilising the opportunities at both secondary and primary markets, so that we could benefit from the upswing when the markets recover, which has already started this week. While investing we focused on major US and European banks, which would win from monetary stimulus, and large commodities companies and telecoms. In the near term, markets are prone to remain highly volatile, with many downgrades and defaults to be expected. We therefore maintain our focus on IG issuers with high credit quality, which should profit the most from Fed and ECB bond-purchasing programs.

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

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