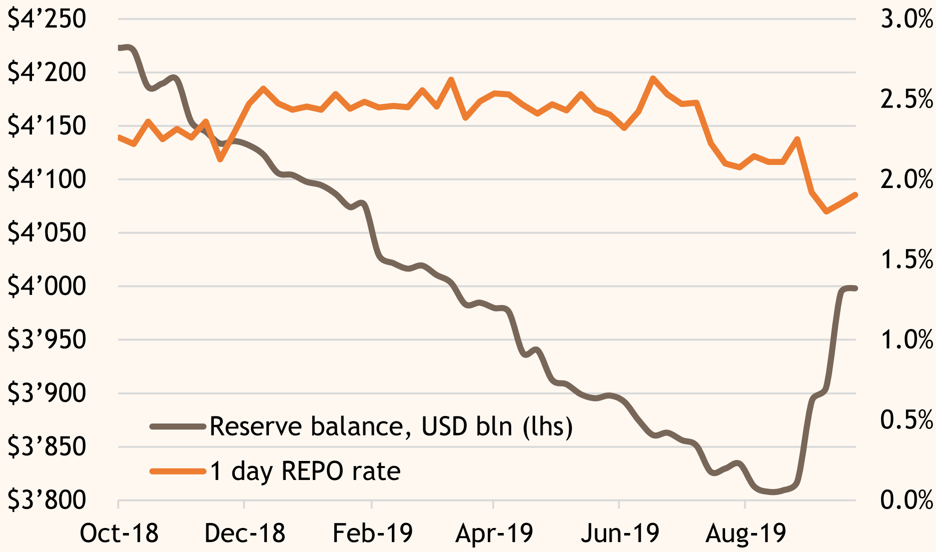
Key Economic Figures/Events of the Week

- The US-China trade talks are the focus of investors' attention this week. Various statements ahead and during the talks held in Washington on Thursday, 11 October rattled the markets. On Thursday, South China Morning Post reported that the Chinese delegation may leave Washington earlier than expected, as no progress in negotiations was achieved. However, the same day, the announcement that President Trump is supposed to meet the Chinese Vice-President on Friday, October 11, brought back optimism to the markets. We consider that it is still unlikely that a final resolution to the trade war will be reached this year and more probably uncertainty will linger well into 2020. Any improvements in the rhetoric or new negotiation meetings scheduled in the near future will be nevertheless positive for the markets in the meantime.
- Fed's Chairman Jerome Powell announced at a conference on Tuesday, 8 October, the intention to purchase money market papers, to provide liquidity to the banks, with the US money markets being lately under pressure. He also reiterated the data-dependency in policy decision-making, which can be interpreted as dovish, given the poor data in the past two weeks. The statement provided however no surprise to the markets, which have already priced in a further 25 bps rate cut at the next policy meeting on 29-30 October.

New wave of Fed's balance sheet expansion brings down the repo rate



Source: Bloomberg

- Wednesday saw the publication of the 17-18 September Fed's meeting minutes. As expected, the minutes revealed the divergence in opinions among the members. While the downsides risks to the economic outlook are acknowledged unanimously, the FOMC members can not agree on how dovish the policy should be.
- According to the data released in the US on Tuesday, 8 October, both PPI and core PPI slowed down in September by 0.3%, contrary to the forecasts of a slight acceleration. The core consumer price index, released on Thursday, 10 October, which excludes volatile food and energy prices, rose 0.1% month-on-month, also missing forecasts. The data provides yet another impetus for a rate cut at the upcoming Fed policy meeting.

Weekly Investment Insights

- Turkish military invaded Syria on Wednesday to fight Kurdish militants' positions, which previously fought aside American troops against ISIS militia. Lindsey Graham, a Republican, proposed sanctions against Turkish leaders, as well as the country's defence and energy sectors, which are yet to be discussed. We see low chances of a full-blown armed conflict on the territory of Turkey, which is a NATO country, and any sanctions against Turkish leaders will have little impact on corporate bonds. The bonds we hold in our portfolios reacted to the military insurgence news with an average price decrease of 0.5%-1.5% so far. Therefore, we view no serious risks ahead for our position, which consist mainly of low duration corporate bonds.

Strategy

We continue taking part in attractive primary offerings. We received an allocation in the USD-denominated 10-year Promigas (Baa3/BBB-) new issue at 3.843% yield to maturity. The Colombian natural gas distribution company Promigas transports about half of Colombia's gas supply and also operates in the neighbouring Peru. The company has a solid debt profile and intends to use the proceeds from this issuance, which is the first on international bond markets, to refinance its existing debt.

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

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