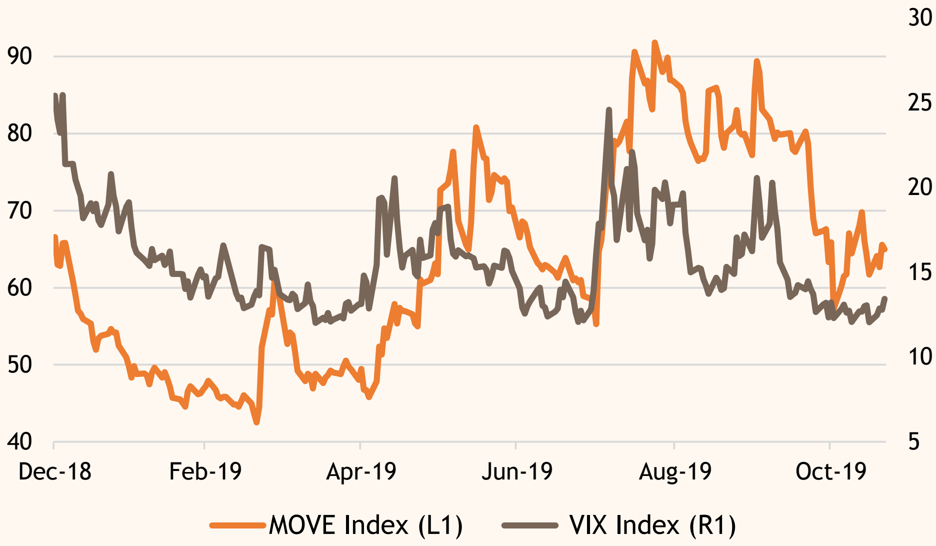
Key Economic Figures / Events of the Week

- This week didn't bring any relieving news regarding the probability of the phase one trade deal signing between the US and China. On the contrary, the escalation of the situation in Hong-Kong brought some new concerns to the table, after the US Senate approved a bill supporting the protesters, with Chinese authorities qualifying it as "interference" in Hong Kong's internal affairs. The developments caused a drop in US Treasuries yields amid a decrease in risk appetite in the middle of the week. However, the markets are currently pricing in a high likelihood of the phase one deal signing. This fact and the lack of other geopolitical conflicts led to significant reduction in volatility across asset classes.

Fall in volatility across asset classes



Source: Bloomberg

- The economic picture remains mixed: industrial production data keeps disappointing, while consumer demand continues to show resilience to the global headwinds. According to the data released on Friday, 15 November, retail sales in the US increased in October, after a drop in September. On the other hand, preliminary November PMIs pointed to a continuing contraction in manufacturing around the globe.
- The minutes of the 29-30 October Fed policy meeting were published on Wednesday, 20 November. The protocols revealed a more hawkish tone than investors had hoped for. Although a majority of 8 out of 10 Fed board committee members voted in favour of a rate cut at the previous meeting and the risks posed by the ongoing trade tensions to the global economy were broadly acknowledged, the US central bank reaffirmed it took the wait-and-see stance for the time being, as the recent easing needs more time to take full effect. We do not expect any further rate cuts at the next Fed meeting on 11 December.
- New hearings were held this week regarding the impeachment inquiry against President Donald Trump, with all witnesses confirming the charges against the President. Nevertheless, the news has left the markets neutral. Should an impeachment pass in the house of Congress, the Senate, which is controlled by Republicans, is to subsequently pronounce a final decision.

Weekly Investment Insights

- Last Friday, 15 November, the Danish transportation and logistics conglomerate Ap Moller – Maersk (BBB) released third quarter 2019 financial results. Analysts expected a significant drop in revenue amid global trade tensions, with the shipping industry being one of the most affected. Indeed, US container imports fell 0.5% in the third quarter, while imports from Asia dropped by 0.9% and total revenue declined 0.9% year on year. However, the company reported solid free cash flows of $1.5 bn, while net debt/ EBITDA decreased to 2.5x from 3.4x from one quarter before. We keep holding company's debt in our portfolios as we believe a trade resolution will be achieved later in 2020, and we expect the company to maintain its strong credit profile.

Strategy

We keep monitoring the primary offerings for opportunities to invest. This week we participated in a new 7-year issue of CEZ Group (Baa1/A-), a Czech energy conglomerate placed at 1.004% yield-to-maturity, for our EUR-denominated portfolios, to replace other low-yielding issues.

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

AXIOMA Wealth Management AG
Bleicherweg 50, CH-8002 Zurich
Tel.: + 41 43 305 07 10
info@axiomag.ch
www.axiomag.ch

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