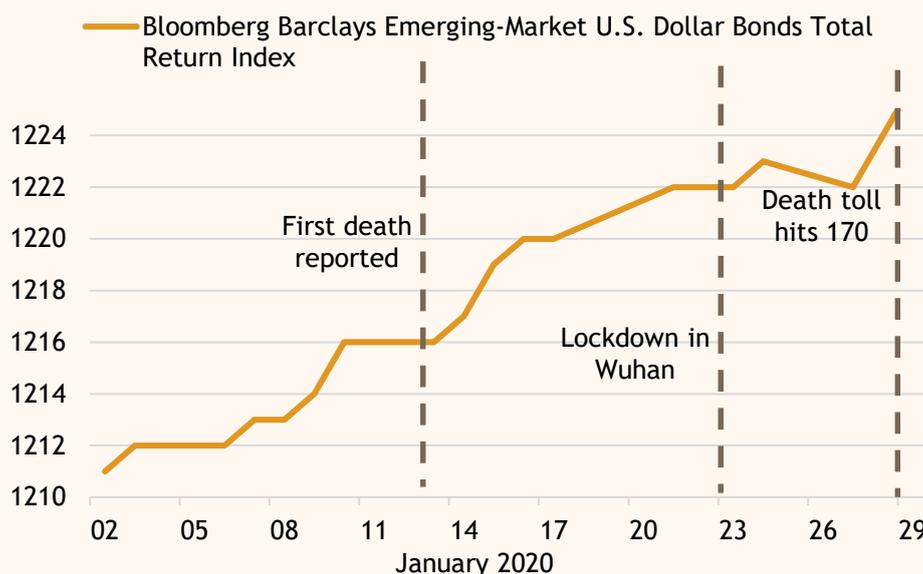


Key Economic Figures / Events of the Week

- The Coronavirus outbreak in China has dominated headlines this week. While social media news flow exacerbates the damage significantly, travel and leisure industries in China and worldwide are already incurring losses. It is hard to say if the virus outbreak will knock the 2020 forecasts off the track significantly and the impact it will have on the financial assets depends on how long the virus persists, which is hard to estimate at this stage. Meanwhile, the emerging markets assets continue to enjoy inflows.

EM dollar debt extends gains despite the Coronavirus concerns



Source: Bloomberg

- As widely expected, Fed's policy meeting on 28-29 January didn't bring a change in the interest rates. At the post-decision press conference, Fed's Chairman Jerome Powell reiterated the Central Bank's commitment to its wait-and-see approach, while conveying that "it is not satisfied with the inflation running below 2%". The danger from constantly not meeting the target is that inflation expectations could turn lower, leading to decrease in actual inflation and interest rates, leaving less room for maneuver for the Central Bank. Recently, Central Banks in the developed world have been under pressure to revise their approaches and methodologies, amid a significant change in structural factors affecting the economy. The key take-away from the Fed's last meeting and its concern about not meeting the inflation target is that no rate hikes are to be expected anytime soon. We continue to incorporate further monetary easing in our outlook by assuming at least one rate cut provided by the Fed by the end of the year.
- Friday marked the official UK's departure from the European Union. The uncertainty surrounding Brexit was, along trade tensions, one of the main sources of volatility for more than three years. Does this mean an end to the Brexit saga? The parties agreed to negotiate a trade deal until the end of the year, which is unlikely to be easy, but the end is now closer than ever before.
- Statistically-wise, fresh data showed a slight decrease in January preliminary manufacturing PMIs, while non-defence durable goods orders in December also declined. However, we expect a rebound, as the signing of the US-China trade deal will start to have an impact. US GDP figures published on Thursday showed that the US economy grew 2.3% in the fourth quarter of 2019, in line with expectations.

Weekly Investment Insights

- Tuesday was the earnings day for Deutsche Bank (BBB-/Baa3), which saw a fourth-quarter net loss of EUR 1.5 billion, more than the EUR 1 billion expected. The costs of the recently launched restructuring weighed heavily on the company in the last year, but the management expects that 70% of the associated costs were taken in 2019, while fixed income trading and asset management businesses saw an improvement. Among other European banks we hold in our portfolios, Banco Santander (A/A2/A-) posted better than expected fourth quarter estimates. Overall, European banks are still struggling in the low interest rate environment. The ECB is trying to find solutions to help the aching financial industry and it has recently announced that it will loosen requirements for mergers.

Strategy

Considering that we are in the late cycle phase, we keep the duration moderate and we aim to be fully invested. We continue to favour the primary market and this week we acquired a new USD-denominated issue of the Colombian holding company Grupo Aval (BBB/Ba2) maturing in ten years, at 4.446% yield-to-maturity.

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

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