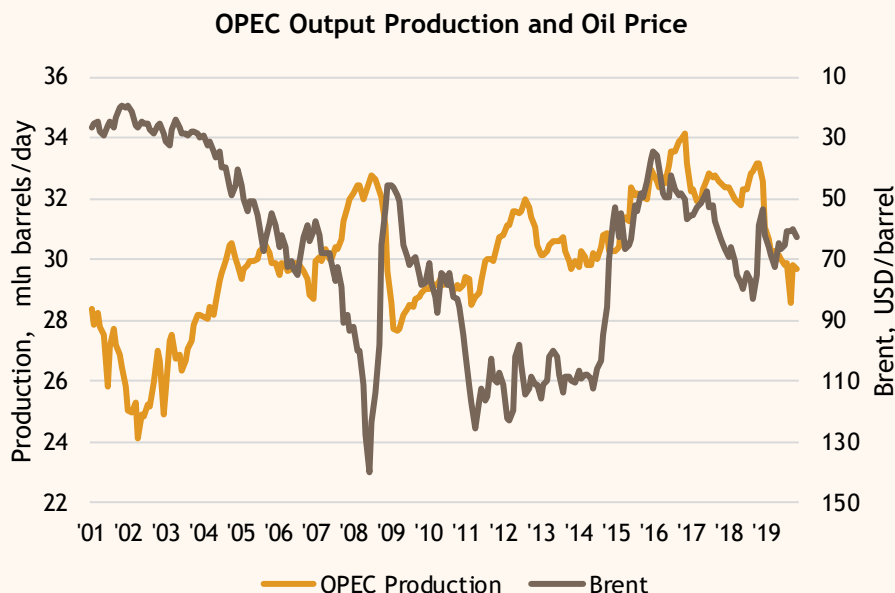


Key Economic Figures / Events of the Week

- More and more often when we look at the US-China trade relationships we get this “deja vu” feeling. It seems to be never ending story with the officials in both countries sending controversial signals to the markets. The US-China trade dispute remains the major factor driving markets in one or another direction and this week was not an exception. At the beginning of the week investors were skeptical about the US-China deal after the US President Trump signed two bills supporting the Hong Kong protesters last week. Despite the almost three-year strongest China’s Markit manufacturing PMI figures of 51.7 for October, a combination of investors’ fears about global trade and disappointing US macroeconomic data put investors’ risk appetite under pressure. For example US PMI for November released on Monday (02.12) showed the fourth consequent monthly decrease in the factory activity dropping to 48.1 from 48.3 in October. In addition, Donald Trump announced tariffs on US steel and aluminum imports from Argentina and Brazil and possible delay in a trade deal with China until the presidential elections in November next year. As a result 10-year US Treasury yield dropped on Tuesday (03.12) 10 bp to 1.71%.
- The situation turned around on Wednesday (04.12) after the US President Trump said at a meeting with German Chancellor Angela Merkel in London that the trade talks with China are going very well. “We will make a lot of progress”, said Trump. The Wall Street Journal cited a China’s Commerce Ministry representative who said that Beijing and Washington are “maintaining close communication“. On this background on Thursday (05.12) 10-year US Treasury yield came back to the Monday’s levels of 1.81%.
- OPEC biannual meeting started on Thursday in Vienna is nearing a widely expected deal. Oil investors are awaiting the “beautiful news”, Saudi Arabia’s oil minister said. OPEC ministers agreed to cut production by additional 500,000 barrels per day which will bring the total production cut to 1.7 million barrels per day. The decision to be finalized by OPEC+ members including Russia, but the oil prices have already reacted to this news with international benchmark Brent crude gained 44 cents to USD 63.44. As many of EM countries are exporters of commodities including oil, the positive oil market environment will, in turn, support financial markets in developing countries.



Source: Bloomberg

Weekly Investment Insights

- UBS Group AG (A-/A+), the Switzerland's largest bank, is considering a sale of its fund platform, known as UBS Fondcenter, to increase profitability of the underperforming asset management division. UBS Fondcenter provides access to over 65,000 ETFs, mutual- as well as alternative investment funds. A potential sale could bring at least USD 500 million. The news had a positive effect on the UBS bond prices. Investors welcomed the willingness of the bank's management to restrict business assets as it should reduce costs and increase a creditability of the company. We keep holding UBS bonds in our portfolios.
- The Indian telecom company Bharti Airtel (BBB/Ba1/BBB-) plans fundraising of USD 3 bln via stake sale and debt to pay its adjusted gross revenue dues to the government. In addition, on Tuesday (03.12), Airtel hiked the prices of its prepaid plans by 10-40 per cent. On this background the Airtel bonds presented in our portfolios recovered most of a price depreciation we saw right after the court decision. We still believe that the company will be able to meet its debt obligations and keep holding Bharti bonds.

Strategy

We continue favouring the primary market, as it still offers attractive investment opportunities. However, their activity is noticeably reduced in anticipation of the Christmas holidays.

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

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