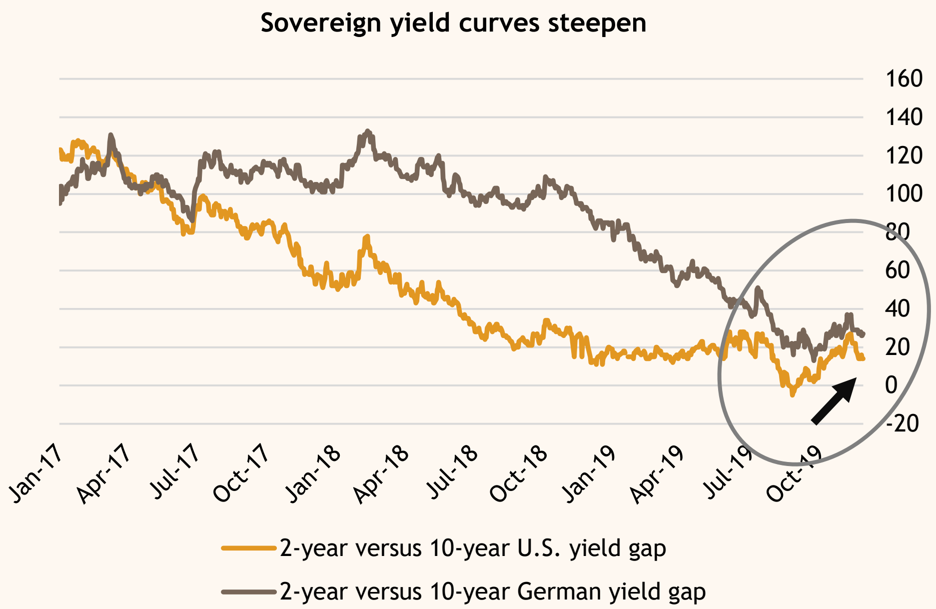
Key Economic Figures / Events of the Week

- Optimism reigned on the markets this week, after statements by both US and Chinese officials signaled progress in trade talks towards the signing of a preliminary agreement. President Trump announced on Tuesday, 26 November, that a phase one deal is closed to completion, what was also asserted by Chinese media reports.
- However, on Wednesday, President Trump signed two bills by the US Congress in support of the Hong Kong protesters, which raised some concerns among investors, as Chinese officials have previously threatened with retaliatory measures. Nevertheless, we continue to believe there is a high likelihood of a phase one deal being achieved in the near future, as it is in the interest of both parties. However, it will take a much longer time to reach a final agreement, considering the substantial divergences existing between the two countries.
- Economic data released during the weak was generally positive. The second estimate of GDP growth for the third quarter came higher than expected at 2.1% versus a 1.9% first estimate and a forecast of 1.9%. Moreover, US durable goods orders rose in October by 0.6%, after a 1.4% decline in September, according to data released on 27 November, while jobless claims for the week ending 23 November fell.
- Positive developments in trade talks, as long as upbeat economic data and the three interest rate cuts provided by the Fed this year all pushed long-term sovereign yields higher, leading to a steepening of yield curves.



Source: Bloomberg

- According to the data published this week, broad inflation in the US showed a 0.2% increase in October, while core inflation was 0.1% up, in line with market forecasts. On a year-on-year basis, inflation pointed to a 1.3 % increase, still well below the 2.0% target of the central bank, which means we can expect further rate cuts in 2020.
- This week also saw the publishing of the Fed's Beige Book on 27 November, which comprises the assessment of the economic situation by the 12 Fed regional banks. The report revealed a moderate growth of the US economy, with consumer sentiment still solid and a slight improvement in industrial production from the previous report published in October.

Weekly Investment Insights

- Mexico's economy stumbled into technical recession in the first half of the year, according to revised data published on Monday, 29 November, which also pointed the third quarter the economy expanded only 0.01%. The leftist government of President Obrador has yet fallen short of solutions to revive the economy. We continue to hold Mexican corporate positions which we carefully selected based on their creditworthiness, as they have all risks priced in and offer some of the most attractive risk-return trade-off among their emerging markets peers.
- Israelian pharmaceutical company Teva (Ba2/BB/BB-) is now facing a federal criminal probe for its role in the opioid crisis in the US along with other pharma firms. Teva bonds fell slightly on the news, but they have been on a rally since October, due to news on the possible settlement of the state and local lawsuits. We keep holding them, as they already have the worst possible outcome priced in.
- Turkey and Qatar extended their previously announced currency swap agreement from $3bn to $5bn, which will allow Turkey to boost its foreign currency reserves. Turkish bonds did not react to the news. Nonetheless, the agreement will support the mid-term and long-term financial stability of the country.

Strategy

This week was short and low in trading activity due the US market being closed for the Thanksgiving celebration on Thursday, 28 November.

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

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