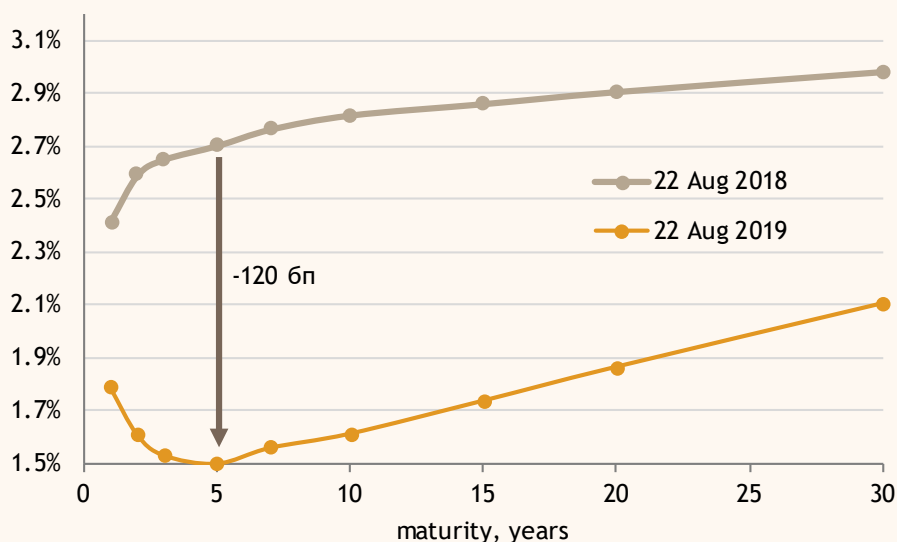


Key Economic Figures/Events of the Week

- This week's most awaited events were the publishing of the minutes of the Federal Open Market Committee (FOMC) July meeting and the Fed's Annual Economic Symposium at Jackson Hole (22-24 August). Investors are looking for hints towards further rate cuts, as well as an indication of the general mood about the US economy among the central bank's officials. The minutes pointed to a diminished downside risk in comparison with June, as perceived by the policymakers, while also revealing divergence in opinions among the FOMC members as whether to cut the rate, by how much and for what reasons. We expect that the economic data to be released in the following weeks, ahead of the 18 September meeting, will be decisive for the interest rate decision.
- Existing home sales in the US increased 2.5% month-on-month in July and 0.6% from a year earlier. Recent robust financial data by major American retailers also indicate still strong consumer confidence. Should the data continue showing resilience to the uncertain trade environment, a significant monetary easing, as priced in currently by market expectations, will be hard to justify.

US Treasury curve: 22 Aug 2019 vs 22 Aug 2018



- A recent statement by President Trump that he is confident about the US-China negotiations brought a cautious optimism to the markets, pushing the 10-Year US Treasury yield up to 1.62% as of Thursday's closing, from of 1.56%, last Friday's closing mark.
- The eurozone economy is struggling for recovery. The preliminary service sector PMI for August stands at 53.4, up from 53.2 one month earlier, while the manufacturing sector PMI improved to 47.0 from 46.5. Still, the overall picture remains gloomy, with inflation being considerably below the ECB target and the issues being further amplified by political risks. In particular, the chance of an unruly Brexit has resurfaced recently, while Italy is being hit by political chaos after the recent resignation of the government. This is the main reason for the underperformance of EUR-denominated bonds this month.
- On Monday, 19 August, Turkey's Central Bank announced an adjustment to its bank reserve requirements, in an attempt to revive the economy. Turkish lira lost 3.4% this week (as per Thursday closing), after being market's dear during the last three months. Turkish Eurobonds closed the week 0.15-0.3% lower pricewise as a result.

Weekly Investment Insights

- Norilsk Nickel (BBB-, Baa2, BBB-), one of the world's largest palladium and nickel producers, released strong 1H 2019 results. The company reported a 21% YoY increase in EBITDA and an 8% YoY increase in revenues, which amounted to \$6.3 billion. Net debt/EBITDA ratio decreased to 0.8x as of the end of 1H 2019. The results were supported by a sharp increase in palladium prices. Palladium is used in emissions-capping converters for cars and is likely to continue seeing increased demand due to tighter emissions regulations around the globe. We continue holding Norilsk Nickel bonds in our portfolios.
- The Israeli pharmaceutical company Teva (BB, Ba2) saw its bonds' increasing in price after positive news about its peers Endo International and Allergan, which settled a relatively modest penalty in the opioid crisis lawsuits. Teva is facing similar charges and the news alleviated investors' fears about the company's debt burden. We keep holding both EUR and USD-denominated Teva bonds.

Strategy

In the current risk environment, marked by significant political uncertainty, we see diversification as indispensable. We also keep the duration low (4-4.5 years) with some cash holdings. We didn't make any trades this week, as both primary offerings and trading activity is low during the holiday season. We continue to closely watch the market, in quest for interesting opportunities.

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

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