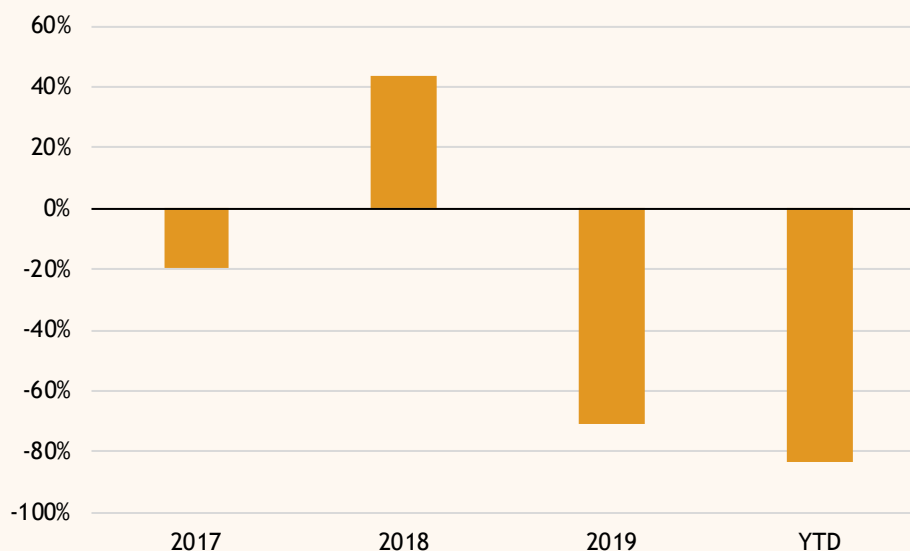


### Key Economic Figures/Events of the Week

- Despite lingering worries about the coronavirus outbreak and its impact on the global economy, this has been a better week overall. There are early signs that the number of new infections has peaked in Italy. The GDP forecasts for the second quarter are dire. However, most of the economists foresee a sharp rebound at some point in the second half of the year and the fixed income market will be among the first to turn on a “risk-on” mode.
- In their attempts to predict positive changes in the economic activity once the emergency restrictions are lifted, investors are closely watching China. Data published this week provided some relief. The Chinese manufacturing Purchasing Managers’ Index (PMI) for March has risen to 52.0, up from 35.7 registered in February, at the peak of the outbreak in China. It has surpassed expectations: the median forecast among the economists surveyed by Bloomberg, for example, was 44.8.
- In yet another bid to ensure there’s liquidity on the markets, the Federal Reserve said this week that it would allow banks to take more leverage. Meanwhile, the White House and the Congress are preparing a new round of stimulus, which should continue to support debt markets.

### Significant monetary easing year-to-date

(cumulative change in nominal rates of 95 central banks)



Source: CentralBankNews.com

- Markets are digesting abundant stimulus. This week, as the previous one, primary markets have been highly active. Newly issued investment-grade (IG) corporate bonds hit a record \$110.502 billion only this week, according to data from Refinitiv IFR. Initial premiums have been cut by 20-50 basis points, yet the major part of new issues is trading above par which confirms our view that IG bonds at current spread levels look very attractive.
- To no one’s surprise, economic data published this week has hit new lows. Weekly new jobless claims in the US have surpassed any expectations again, reaching 6.6 million. We expect bad data trend to continue but believe that to some extent it has already been priced in by fixed-income markets.
- And the major market moving event has come last. On Thursday, the US President Donald Trump has announced

- that he held talks with the leaders of Saudi Arabia and Russia and now expects them to implement production cuts of around 10mln barrels per day. It's expected that US oil producers will be also bound by the new agreement. Oil prices have jumped 45% following this announcement with Brent price trading above \$30 per barrel and energy bonds have rallied on the news. Friday morning saw some reverse in oil prices gains, as there is still high level of uncertainty regarding the potential deal.

### Weekly Investment Insights

- Last Friday (27/03), South Africa(BB/BB+/Ba1) was downgraded by the last credit rating agency (Moody's) to junk level. This was very much expected, and the downgrade has been priced in the South African bonds for a long time. The country's central bank has recently announced that it will buy government bonds, among other measures to support liquidity. Once the situation with the coronavirus improves, we expect the South African debt assets to start receiving inflows.
- The European Central Bank has issued a recommendation for European Banks to refrain from paying dividends for 2018 and 2019. The news is negative for equity and positive for senior and subordinated bonds. However, perpetual bonds are in question as banks may also decide to freeze coupons on them. We have advocated senior bonds of banks for a long time as we believed that the risks of subordinated ones were underestimated.

### Strategy

In order to take advantage of the upswing and increase our performance when markets rebound, we keep increasing leverage where allowed. Nonetheless, we are very carefully selecting new issuers, limiting ourselves to companies with solid credit profile, which are prepared to deal with the challenges ahead. This week, we have acquired some more investment-grade corporate issues on the primary market. To name but a few: BP(A1/A-), TransCanada (Baa1/BBB+/A-), British American Tobacco (Baa2/BBB+), AngloAmerican (Baa2/BBB), Equinor Energy (Aa2/AA-), State of Israel (A1/AA-/A+).

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

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