



Monthly overview  
November 2017

Bond investors enjoyed a fairly calm month in November with US Treasury yields slightly rising and credit spreads remaining virtually flat. Coupon income enabled the Fund to close the month in a positive territory.

The US Treasury yield curve has been flattening year-to-date. The short and medium-term yields have been picking up following the interest rate hikes, while the longer-term yields (bonds with maturities of 20-30 years) have been going down due to low inflation expectations and QE programmes put in place by the world's leading central banks. While the Fed stopped its bond purchases as early as in November 2014, the ECB and the Bank of Japan continue buying assets for ca. USD 150 bn per month. Inflation in the USA remains the key concern for investors. So far, the official inflation data have been in line with the market expectations and below the Fed target (at the end of October, the PCE deflator stood at 1.45% vs the target of 2%). While price performance shows some signs of stronger inflationary pressure, the average wage growth rates remain low despite unemployment hitting a new low.

Brent traded within the range of USD 60-65 per barrel, hitting the year's new high of USD 64.5 and creating a favourable environment for the bonds of oil companies and EM bonds at large. However, this failed to translate into further narrowing of credit spreads, as they are already close to their record lows. Oil market analysts remain cautious with price assumptions for the next year's forecasts averaging USD 50 per barrel.

Discussions on raising the US public debt ceiling are scheduled to take place in December, which is likely to intensify market jitters. Furthermore, the markets of South Africa, the Middle East and Turkey are under increasing pressure due to their domestic tensions.

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

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