

Key Economic Figures/Events of the Week

- US statistics released this week came in mixed. Growth in retail sales over April came in at 0.4% MoM, significantly slower than the expected 0.8% growth. Growth in industrial production, on the other hand, over the same period of April, came in at 0.5% MoM, significantly higher than the expected 0%. Capacity utilization over April came in at 79.7%, in line with expectations, with 80% roughly representing full employment. The Leading Index, an index of leading economic variables in the US, came in at -0.6% for April, in line with expectations. Initial weekly jobless claims came in at 242'000, better than the expected 252'00, but still elevated compared to previous months.
- Most US Federal Reserve [FED] officials this week cautioned that monetary policy works with lags and that it may make sense to pause with rate hikes. Some FED officials mentioned that they believe that further rate hikes would still be appropriate. FED Chair Jerome Powell is expected to give a speech later today (19/05). Markets are now pricing in an additional 25 basis point hike in the FED funds rate at the next FED meeting on the 14th of June.
- Yesterday saw the 10-year treasury yield close above 3.6%, the highest daily close since the start of the banking crisis in March. A weekly close above the 3.6% yield could signify a potential break through the 3 months resistance level.

10 Year Treasury Yield Breaks Through 3.6%



Source: Bloomberg

Weekly Investment Insights

- High macroeconomic uncertainty in the US has continued throughout this week, as a deal on raising the debt ceiling has still not been reached. Nevertheless, markets remain optimistic as House speaker Kevin McCarthy mentioned that an agreement may be achieved as soon as this weekend. Failure to increase the debt limit would lead to the US defaulting on its debt. Credit default swaps and short-term treasuries have remained elevated this week.

Strategy

We intend to keep our focus on decreasing the leverage on the Fund through selling bonds with limited price upside. Parallely, we continue working on the sale of Russian bonds, however this process takes a lot of time as liquidity remains low, and we strive to find the end buyers ourselves in order to minimize expenses on intermediaries.

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