



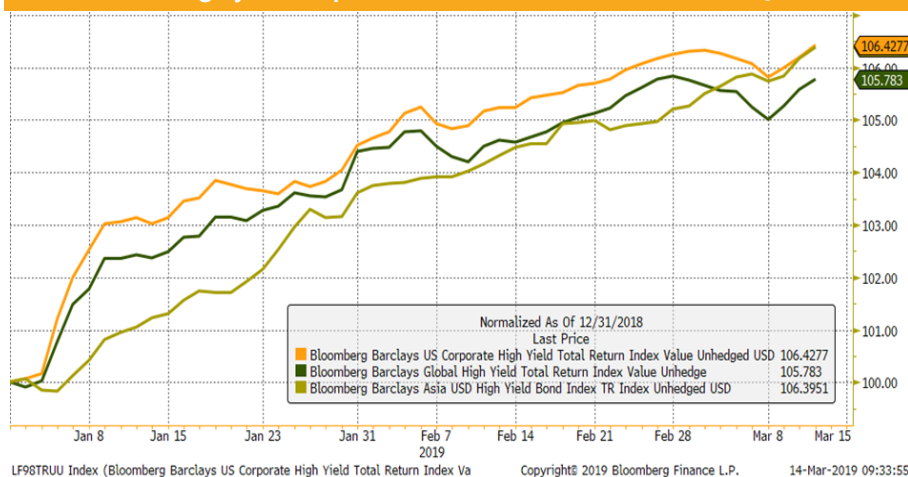
Weekly bond recommendations. **Blackfort.**



US treasury yield dropped sharply during the 2nd UK-Brexit debate in London

- ❖ A drop of the US 10-year treasury yield of more than 7 basis points during one trading day is very unusual. There were two events during this mini bond rally: Theresa May's BREXIT defeat and softer US CPI data. Both might have had an impact, but the outcome of the voting in the UK was expected and the US CPI number only narrowly missed expectations.
- ❖ It is rather "risk on" and the positive correlation between US equities and bonds. Equities went further up which was supported by the mini bond rally. While the US 10-year yield broke out of its trading range (i.e. the yield is below 2.64%) the US equity market did not manage to break out of its trading range.
- ❖ For US 10-year yields we see now slightly higher levels and a test of the new resistance level at around 2.64%. Meanwhile, we have seen spread widening in US high yield bonds, this was however overcompensated by lower yields. The Bloomberg Barclays US corporate high yield index has risen around 6.4% since the beginning of the year. The small decline of this index after the strong US macro indicators at the beginning of March is already overcompensated.
- ❖ Asian high yield bonds rose since January as well around 6.4%, while overall global high yields increased by 5.8%

US and Asian high yield corporate bonds rose around 6.4% in 2019



US 10-year treasury yield keeps falling



- ❖ China's latest industrial production increased 5.7% in the first two months of 2019. This is the weakest growth since 17 years. Remarkable, China's official 10-year bond yield did not move much, it stayed at around 3.13%
- ❖ The Chinese and global stock market did as well not react much. Market participants are very complacent. They expect that the massive Chinese fiscal and monetary stimulus will keep China's GDP above 6%.
- ❖ Therefore the biggest shorter-term risk for bond markets is that one of the political crisis (e.g. BREXIT, China/US or US/Eurozone trade war) will escalate.
- ❖ Another risk is that the FED might remind market participants that they are only on hold and they did not stop the rate hiking cycle. We would, however, add that the global growth is still slowing, the US policy rate is at around a neutral level and that US GDP growth is as well slowing down but still robust. Therefore a reassessment of the US rate level in autumn stays our base scenario.
- ❖ We, therefore, still believe that corporate high yield bonds should deliver the coupons over the next 6-9 months and that the impact from spread widening and yield changes should be minor.

UPDATE: Country Garden Holdings

Bond Parameters:

- ❖ Country: China
- ❖ Industry: Real Estate
- ❖ Rating: BBB
- ❖ Coupon: 6.00%
- ❖ Maturity: 2025
- ❖ Indicated Use: General Corporate Purposes
- ❖ Yield to Maturity: 6.00%
- ❖ Issue Size: 1.00B USD
- ❖ LTV: 60%

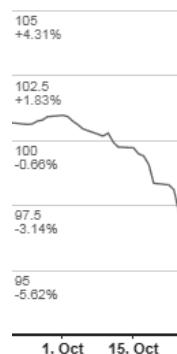
Company Profile:

- ❖ Country Garden operates as a real estate development company. It develops and manages residential, commercial and industrial properties, hotels, facilities and other real estate assets.

We appreciate your interest.

If you like to read more, please contact us.

Price Development



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UPDATE: Shimao Property Holdings

Bond Parameters:

- ❖ Country: China
- ❖ Industry: Real Estate
- ❖ Rating: BBB
- ❖ Coupon: 6.00%
- ❖ Maturity: 2025
- ❖ Indicated Use of Proceeds: General Corporate Purposes
- ❖ Yield to Maturity: 6.00%
- ❖ Issue Size: \$1.00 billion
- ❖ LTV: 60%

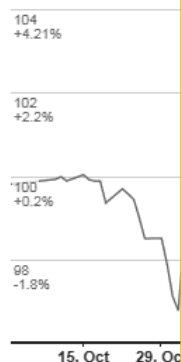
Company Profile:

- ❖ Shimao Property Holdings is a Hong Kong-based investment holding. It operates mainly in the real estate sector, including the development, operation and management of properties, hotels, shopping malls, etc. The company's headquarters are located in Shanghai Plaza.

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UPDATE: Global Liman Isletmeleri AS

Bond Parameters:

- ❖ Country: Turkey
- ❖ Industry: Port & Logistics
- ❖ Rating: BBB
- ❖ Coupon: 6.00%
- ❖ Maturity: 2025
- ❖ Indicated Use of Proceeds: General Corporate Purposes
- ❖ Yield to Maturity: 6.55%
- ❖ Issue Size: \$100 million
- ❖ LTV: 0%

Company Profile:

- ❖ Global Liman Isletmeleri AS is a cruise and container port operator based in Turkey. The company is a subsidiary of Global Liman Isletmeleri AS, which is a public company listed on the Istanbul Stock Exchange (NYSE:GLIM). The company has a market capitalization of approximately \$1.5 billion. The company's revenue is primarily derived from port operations, including container handling, cruise ship operations, and logistics services. The company's revenue is primarily derived from port operations, including container handling, cruise ship operations, and logistics services. The company's revenue is primarily derived from port operations, including container handling, cruise ship operations, and logistics services.

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- ❖ The presented bond is secured by several guarantees of operating subsidiaries, which represent around 60% of the companies revenue.



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