NIC

— Nova Investment Club —

Newsletter

November 2017

Foreword

This Month:

We are delighted to present to you the first newsletter written entirely by the NIC 2017/2018 class.

In our Macro Overview section, Analysts from both divisions will cover broad macro themes while reviewing major economics news from the past month. In our Deeper Dive section, Inês Patrício evaluates the ECB's latest move on QE, while Tomás Ambrósio discusses the current snap election called by the Japanese Prime Minister, Shinzo Abe.

Our Investment Banking Division will guide you through October's M&A overall activity. Moreover, read about Siemens' merger with Alstom, Airbus SE bid for a majority stake in Bombardier Inc C-Series, Novartis acquisition of Advanced Accelerator Application. Additionally, read a detailed overview on the what happened to Lufthansa in the past months. Lastly, get an insight on the ECB's monetary policy, written by our analyst Manuela Böck.

Our Financial Markets Division will present the monthly results of the NIC Fund, an active relative return fund investing across four different asset classes: Equities, Fixed Income, Commodities and Currencies. In addition, the analysts will provide commentary on each of the four major asset classes through analysis of the past month's major market moves.

Lastly, Katerina Rybarova examines the roots of the current crisis in Venezuela, as well as the challenges that the country is facing for the future.

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Market moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	2 588	0,73%	4,68%	15,59%
DJIA	23 539	0,42%	7,83%	19,11%
Nasdaq	6 764	2,52%	6,11%	25,66%
MSCI World	2 881	0,39%	3,47%	17,02%
MSCI EM	4 233	0,42%	2,47%	22,76%
Russell 2000	1 495	-0,37%	4,59%	10,15%
Euro Stoxx 50	3 690	2,20%	6,41%	12,14%
FTSE 100	7 560	0,45%	2,61%	5,85%
Nikkei 225	22 539	3,37%	12,92%	17,92%
Hang Seng	28 604	1,59%	6,02%	30,01%
Dollar Index	94,94	1,25%	1,80%	-7,11%
EUR/USD	1,162	-1,22%	-1,13%	10,47%
GBP/EUR	1,126	0,86%	0,72%	-4,01%
GBP/USD	1,308	-0,40%	-0,41%	6,01%
USD/JPY	114,0	0,06%	2,97%	-2,56%
USD/CHF	1,000	0,94%	3,27%	-1,83%
Brent Crude	62,07	6,41%	18,18%	9,24%
Gold	1 269	-0,45%	0,06%	10,20%

Generic bond yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	2,333%	-8,6	4,4	-11,2
GER 10Y Yield	0,364%	-11,2	-17,8	15,6
JPY 10Y Yield	0,055%	-1,4	-2,1	0,9
UK 10Y Yield	1,262%	-9,5	4,4	2,3
PT 10Y Yield	2,068%	-24,4	-85,8	-169,6

**Source: Bloomberg, as of 2017-10-31*

In Focus

October

The U.S. has reported economic growth of 3% year-on-year for the second consecutive quarter, despite the damage brought by the hurricanes. The core inflation, which excludes food and energy, rose 1.7% year-on-year in September, matching the pace from the previous month. The two metrics send a mixed message of the Federal Reserve's confidence to the take rigorous actions of tapering the post-crisis stimulating policies during the next FOMC meeting in December.

Eurozone growth beats analysts' expectations, with data showing growth of 0.6% quarter-on-quarter (2.5%) yearly. This marks a strength in Euro, which rose from USD 1.14 against the dollar in early July to more than USD 1.20 last month. The E.U. unemployment rate dropped to its lowest level since January 2009, hitting 8.9% in September.

Consumer price index across the E.U. rose 1.4% in October on a yearly basis, according to the Eurostat report. The core inflation, a measure that excludes volatile goods, such as Energy or Food, dropped, from 1.11% to 0.9%. As such, receding inflation and economic recovery would smooth the tapering of ECB's the quantitative easing program, announced last week.

Spanish GDP showed surprising growth. The Spanish government has taken direct control over Catalonia following the region's declaration of independence on Friday. Despite the worsening political crisis and increasing uncertainty, GDP has risen 0.8% quarterly (3.1% year-on-year increase). As such, the negative economic sentiment is lagged and 'carried forward' in the national government's 2018 growth forecast, with GDP growth adjusted down from 2.6% to 2.3%.

U.K. inflation figures reached 3%, overshooting the expectations of the BoE by more than one percentage point. This puts additional pressure on the central bank to withdraw the monetary stimulus and drives economists' expectations of prevailing hawkish stance during the November meeting.

China's economy grew at 6.8% in the third quarter on a yearly basis, above the government's full-year target, favourable to re-elected President Xi Jinping's effort to reinforce leadership at the Communist party congress. Fixed investment contributed 45% to China's GDP last year, by far the highest share of any major economy.

Brazilian inflation fell to 1.78% in September — the lowest in 19 years and below the central bank's target of 4.5%, amid bountiful crops and decreasing food prices. This allowed Banco Do Brasil to lower the interest rate from 14.25% to 8.25%, with economists forecasting a further decrease to 6.5%.

The IMF expects emerging markets to grow 4.5% this year, versus 2% for developed markets. Such economic expansion is accelerating, amid big economies', such as Brazil and Russia, recovery from the years of deep recession. This also underpins the rise of the overweight EM currencies trading volumes, which had risen back to historical highs of 2011.

The Nobel Memorial Prize in Economics was awarded to Richard Thaler, from the University of Chicago, for his key contributions to the development of the field of behavioural economics.

Anna Averina
Financial Markets Division

Deeper Dive

ECB Extends QE: A Hawkish and Dovish Move

Inês Patrício
Investment Banking Division

On the ECB's past assembly, Mario Draghi announced the postponement of the bond-buying scheme, against market expectations. Additionally, an adjustment in the pace of the purchases was put forward, halving them to EUR30bn per month, starting in January next year.

Overall, some disapprovals and concerns have been pronounced in regards to the extension of the program. In this respect, the pledge to sustain QE for a lengthier period weakened the euro against the dollar, albeit the slow down in the ECB bond buying plan underlines a plausible hint to investors that balance sheet unwind might be scheduled soon.

After months of speculation, the European Central Bank met on the 26th of October to shape the future of its quantitative easing (QE) program. Formerly, the ECB was purchasing EUR60bn of bonds a month, a value that was cut by 33.0% at the end of March 2017. During its press conference, the bank announced an extension of this stimulus until September 2018, upsetting Euro bulls.

Apart from the extension of the bond-buying plans, the ECB also decided to scale down its asset purchases to EUR30bn from January 2018 onwards, crashing the market that same Thursday. The dovish statement of the bank affected aggressively the euro, marking the currency's biggest weekly loss of the year, as the market was expecting President Mario Draghi to be more hawkish than he actually proved. Particularly, the euro tumbled 1.4% against the U.S. dollar (EURUSD=1.1661) and 0.7% against the Japanese yen (EURJPY=131.77) on the subsequent day, while boosting Eurozone bonds and equities.

The policy of keeping QE alive not only triggers concerns for the ultra-low interest rates, but it also provokes fierce disputes among several authorities, e.g. the one between the German Bundesbank head Jens Weidmann and Draghi. Although economic activity has recently increased, the ECB still perceives reduced interest rates as crucial to stimulate growth, which intends to make the euro more competitive. Nevertheless, this condition weakens the Eurozone in case of an eventual downturn. Given that current short-term interest rates in some countries are near zero or even negative, the beneficial ECB bond purchases of the past would no longer be able to face future economic recessions, as interest rates could not be cut any further. On the other hand, the Bundesbank president argues that ECB should have set a clear end date for the asset-purchase program rather than holding the alternative to postpone it after September next year. The statements of Mr. Weidmann specifically suggested the frustration lived among other hawks, who believe that the regions' upturn has gained pace, thus being irrelevant to add endless monetary support to the economy.

The cautious adoption of the extended policy is reinforced by the current Eurozone inflation, which was lower than expected this month – 1.4% in October, against the predicted rate at 1.5%, year-to-year. Taking into account the volatile energy and food prices, Mr. Draghi also conveyed his suspicions behind a potential further drop of inflation over the next months, highlighting the importance of waiting patiently for an upswing. As a matter of fact, not only inflation drove the decision undertaken by the ECB, but equally the strong economic growth within the region and the lowest unemployment rates seen in the last nine years backed up the bank's half cut of the asset purchasing scheme. More importantly, the announcement denotes a peculiar balance between hawks and doves' preferences. On one hand, the reduction in the amount of bond-purchasing pleases the first members, whereas on the other hand the extension of QE at least until September 2018 satisfies the latter group.

As far as self-sustaining momentum is concerned, the strength, pace and steadiness of the Eurozone recovery emphasizes that QE will soon come to an end, even if inflation rates persist at low levels. All in all, the dovish tone in the ECB statement reflects the major challenges that European countries still have to beat before moving towards a full unwind of its balance sheet, empowering the bank to prevent adverse fluctuations in financial markets, and at the same time to follow a similar path as the Federal Reserve.

Inês Patrício
Investment Banking Division

Regional View

Shinzo Abe and a Gamble Proved Right

Tomás Ambrósio
Financial Markets Division

In a time of low popularity due to allegations of cronyism, Shinzo Abe took a risky decision: calling a snap election not from a position of strength, but from his opponents' weakness. He came into office pledging first and foremost to transform the economy, being successful in bringing women into the workforce, improving corporate governance, and negotiating the TPP trade pact. The economy has expanded for six quarters and unemployment is the lowest among G-7 nations. However, other challenges will demand bold policies and leadership.

Japan's Prime Minister Shinzo Abe won a historic third consecutive term after calling a snap early election on October 22nd. In the midst of the North Korea missile threat and the disarray of the largest opposition party, Shinzo Abe is on track to become Japan's longest-serving leader.

In a time of opposition fragmentation into separate parties, Mr. Abe's ruling Liberal Democratic Party-led coalition secured a two-thirds majority in the parliament. He has now a fresh mandate for "Abenomics" as well as the opportunity to chase his own goal of revising Japan's post-war pacifist constitution. It inhibits the country to act as a military power (its army is even called Self-Defense Forces).

In the poll aftermath, investors cheered the government stability by sending the Nikkei 225 stock index higher for a record of 15 consecutive days, as they expect more economic stimulus after five years of expansionary fiscal and monetary measures. Aggressive economic policy after Shinzo Abe's first election in 2012 has led to Japan's strongest labour market since its peak in the 1970s. However, the country had twenty years of on-and-off deflation.

Now, Mr. Abe is trying to use his big victory to boost the country's economy. Right after the electoral results, Japan's Prime Minister has demanded Japanese companies to lift pay by 3% in 2018, as he sees rising wages as crucial in order to fuel higher inflation and private consumption. Despite the stimulus policies and corporate profits upsurge, Japanese employees enjoyed almost no rise in their pay. In 2017, wages grew about 1.98%, a second slowdown after the peak of 2.20% in 2015.

As the 1990's asset price bubble burst, a lost decade began. Japan became locked into a vicious cycle of slow growth, low inflation, a persistent lack of demand, and constant government deficit spending.

Nevertheless, the country had a relatively good year in 2016 and the IMF expects the momentum to carry into 2017 with growth projected at about 1.3%. However, its sustainability is threatened by the country's ageing population and shrinking workforce.

During the election, Shinzo Abe promised to raise the consumption tax from 8% to 10%, which will finance a JPY 2 trn (about USD 17.6 bn) stimulus package, but to spend half the revenue on free childcare and social security instead of using it to cut the deficit. Last year, debt-to-GDP reached an all-time high of 250.4%, the largest in the world. Indeed, the Japanese government can borrow for twenty years at near zero interest rates.

The Bank of Japan introduced Quantitative and Qualitative monetary easing with yield curve control. It controls short-term and long-term interest rates through market operations; and commits itself to expanding the monetary base until the yoy rate of increase in the observed CPI exceeds the price stability target of 2%.

In the next months, Shinzo Abe will have to decide whether to reappoint Bank of Japan's governor Haruhiko Kuroda, whose term expires in April. The Bank of Japan has so far bought more than 43% of the government bond market.

Despite facing several challenges, the Yen is traded as a safe haven in times of market turbulence and the Japanese economy, world's third-largest, stays innovative. Patent data show that the country is only behind the United States in filing patents, and ahead of China. For now, Japan is experiencing a resurgence of national confidence. One that parallels the boom in its stock market and the "Japan is back" optimism of Shinzo Abe as the country prepares itself to host the 2020 Olympics. Yet, the economic benefits of doing so is subject to intense debate.

Tomás Ambrósio
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

President Trump Tours Asia
President Trump has set out on one of the longest foreign trips ever undertaken by a US President. Key topics expected to be covered during the trip include trade and the situation in North Korea, though many will also keep a close eye on any potential meeting between Trump and Russian President, Vladimir Putin.

Saudi Arabian Power Consolidation
Investors interested in Emerging markets, and the middle east in particular, should pay close attention to Saudi Arabia as markets digest the recent crackdown on corruption and large-scale power consolidation by Crown Prince Mohammed Bin Salman. Saudi Arabia is in the midst of a major economic transformation.

Continued Uncertainty in Europe
Though markets have largely shrugged off recent developments out of Brussels, Madrid, London, and Barcelona, Investors should continue to monitor upcoming discussions regarding Brexit terms, as well as court proceedings and the upcoming vote in Barcelona. Both events could have major implications in future succession movements across Europe.

Central Bank Decisions

FED Rate Hike in December Likely
Despite persistently low inflation and a rather weak October jobs report, minutes from the FOMC meeting in September show that a December interest rate hike is likely. The minutes showed that the FOMC continues to believe that inflation will eventually pickup as the remaining labour market slack disappears.

Market Reaction to ECB Announcement
On October 26th, the ECB announced that it will cut the amount of bonds it purchases each month in half, from 60 billion to 30 billion euros. The bank also announced that the program will not any time soon. In the coming months, markets will closely follow the bond market's reaction to the decreased purchases.

BoE Raises Rates: What Now?
The Bank of England announced on November 2nd their intention to hike the benchmark rate for the first time in a decade from 0.25% to 0.50% The BoE hopes the move will help to combat rising inflation without getting behind the curve. Investors should monitor November CPI data to analyse the effectiveness of this rate hike.

Inflation and Deflation

UK Consumer Price Index
After CPI came in at 3% in September, markets will be closely monitoring the CPI readings due on November 14th. The BoE recently raised rates in order to combat rising inflation, however, Brexit related factors which are impacting FX rates have mad this a difficult task.

US Consumer Price Index
To be released on November 15th, US CPI readings will be closely watched as they may provide clues into the future path of interest rates. While a December rate-hike is seen as a near certainty, with a new Fed Chief, Jerome Powell, the path of future hikes is less certain.

China CPI/PPI
China is due to publish both CPI and PPI readings on November 9th. After strong readings last month, the PPI readings could further signal higher factory gate prices in China, helping markets outside of China.

Labour Market

US Employment Readings
Despite the unemployment rate falling to a 16-year low of 4.1% in October, there were some worrisome signs in the data. Average hourly earnings declined slightly and the Labour force participation rate fell from 63.1% in September to 62.7% in October. After poor readings in September and October, November data will carry significant importance.

EU Employment Situation
Eurostat announced late last week that the unemployment rate across Europe has fallen to its lowest level since January 2009 at 8.9%. October readings, due out at the end of November, will shed light on whether this trend will continue despite political uncertainty in the UK, Spain, and, to a lesser-extent, Italy.

German and French Labour Markets
As the EU prepares for life without the UK, Germany and France are expected to play increase roles in political and economic decision-making. Both countries labour markets are tightening and upcoming unemployment readings on November 30th for Germany and November 16th for France may give clues into potential future policy proposals by these countries.

Andrew Borts
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

The global M&A activity continued to lackluster compared to the record breaking year of 2016. In Q3, there were 3,774 deals globally, worth a total of USD 667.1bn, which represented a decline of 741 transactions and a 24.2% decrease in value compared to Q3 2016. Political uncertainty around the globe continued to be one of the main cause for the observed trend, not just in Europe but also in America. The decline can also be attributed to natural disaster in North America and the ongoing depression of energy prices. With the ongoing political unrest in America, companies are reluctant to pursue an aggressive acquisitive especially when it comes to cross-border deals. However, we saw a resurgence of PE backed deals with 661 buyouts worth approximately USD 138bn and a 41.2% increase in value compare to Q3 of 2016. This years also marks the comeback of the LBOs in which the volume reached its highest level (USD 252.7bn) since 2007 (USD 564.8bn). Those number have been inflated by the recent acquisition of Toshiba's memory chip division by a consortium led by Bain Capital and the acquisition of Calpine Corp. by a consortium led by the CPPIB and Energy Capital Partners. These deals helped LBOs average size reached an all time high.

Selected Regions

North America
In October, M&A activity reached its lowest level since the beginning of the year both in term of volume and value. Overall value declined by 68% which is explain by a significant decrease in the USA (-70%) which was mitigated by a small increase in activity in the Canadian market (up 25%). The best performing sector was the retail sector which was boosted by a few major deals like Metro acquisition of the Jean Coutu Group.

EMEA
The big story in Europe during the month of October an increase in deal value met with a decline in volume that reached its lowest level since the beginning of 2015. In terms of deal value, Spain topped the country rankings. The Netherlands also experience a massive rebound with an increase of 92% month over month but still remain significantly lower than October 2016. However, these numbers were inflated by transactions targeting Unilever and Abertis Infrastructuras.

Asia
After an outstanding record in 2016, Asia's deal making activity has slowed during 2017. With the Chinese Communist party congress, investors and companies were looking are market reform especially towards state owned enterprise. With a tighter grip on SOE expansion strategy, Chinese appetite for global M&A help understand the decreasing activity in deal making. Over leverage SOE also continue to be source of concerns and slowed down companies ability to do transactions.

M&A

Deals of the Month

Announced Date	Target	Buyer	Target region	Target business	Value (USD m)	TV/EBITDA
18-Oct-17	Abertis Infraestructuras SA	HOCHTIEF AG	ES	Infrastructures (toll-road)	44,445.45	10.51 x
30-Oct-17	Dynegy Inc	Vistra Energy Corp	US	Utilities	10,515.44	22.14 x
30-Oct-17	CalAtlantic Group Inc	Lennar Corp	US	Construction	9,248.30	11.40 x
13-Oct-17	Cottonseed business/Bayer, Canola seed operations, LibertyLink gene	BASF SE	DE	Agriculture	6,977.93	
25-Oct-17	Equis Energy	Private Investor, PSPIB, CIC, Global Infrastructure Partners	SG	Renewable Energy	5,000.00	
02-Oct-17	Jean Coutu Group PJC Inc/The	Metro Inc	CA	Retail/Pharmacy	3,790.25	15.51x
10-Oct-17	CareCore National LLC	Express Scripts Holding Co	US	Health Care	3,600.00	
30-Oct-17	Advanced Accelerator Applications SA	Novartis AG	FR	Health Care	3,382.79	
19-Oct-17	Holly Energy Partners LP	HollyFrontier Corp	US	Energy	3,231.50	16.41x
11-Oct-17	CeramTec GmbH	BC Partners Holdings Ltd	DE	Industrial	3,000.00	

Mathieu Bourque
Investment Banking Division

M&A: Top Deals

Siemens AG merges with Alstom

German industrial group Siemens and French rival Alstom signed a Memorandum of Understanding (MoU) on September 26, 2017 to merge their rail operations. Siemens will own 50% plus a few shares of the joint venture, to be called Siemens Alstom.

Buyer vs Seller

Siemens is a German conglomerate company and the largest industrial manufacturing company in Europe. The principal divisions of the company are Industry, Energy, Healthcare, and Infrastructure & Cities (main activity). On the other hand, Alstom is a French multinational rail transport company producing high-speed trains such as the AGV, TGV, Eurostar as well as suburban, regional and metro trains and trams.

Industry Overview

The global rail market-place has changed significantly over the last few years. A dominant player in Asia (CRRC) has shifted global market dynamics and digitalization will impact the future of mobility. This Chinese player also threatens to enter the European market. However, this Franco-German merger sends a strong signal that the "European Spirit is alive" (Joe Kaeser, CEO of Siemens).

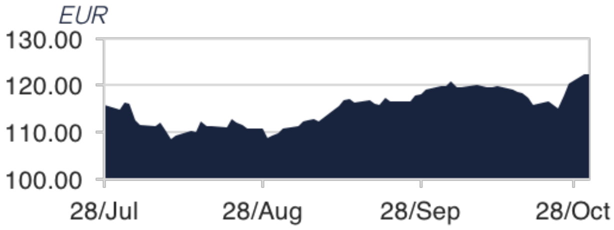
Peers	Currency	Market Cap (CUR m)
Ansaldo STS SpA	EUR	2,370.00
Construcciones y Auxiliar de F	EUR	1,211.82
Talgo SA	EUR	574.93

Deal Rationale

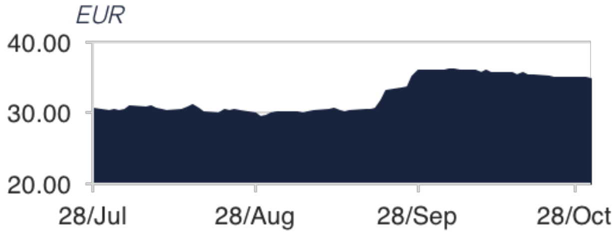
The merger of Siemens and Alstom create an European champion to better withstand the international advance of China's state-owned CRRC. The global footprint enables the merged company to access growth markets in Middle East and Africa, India, and Middle and South America where Alstom is present, and China, United States and Russia where Siemens is present.. The new company, with 62,300 employees, targets combined revenue of EUR15.3bn and total synergies of EUR470m four years at the latest after closing of the deal, which is expected at the end of 2018.

Market reaction

Siemens AG
The company's share performance during the year showed a positive trend. After the announcement, the stock price increased by 2%.



Alstom
Alstom's stock price increased by 7% after the announcement. Shareholders receive an additional dividend of EUR 4 for control premium.



Future Challenges

In France, Alstom and Siemens will initiate Works Councils' information and consultation procedure according to French law prior to the signing of the transaction documents. If Alstom were not to pursue the transaction, it would have to pay a EUR140m break-fee. The transaction is also subject to clearance from relevant regulatory authorities, including foreign investment clearance in France and anti-trust authorities as well as the confirmation by the French capital market authority (AMF).

Hoang Nguyen
Investment Banking Division

M&A: Top Deals

Airbus SE to take majority stake in Bombardier Inc C-Series

Canadian aircraft manufacturer Bombardier is going to sell the majority stake of its C-Series programme to European rival Airbus. Before, the future of the programme was in doubt, after Bombardier was hit with a 300% import levy by the US.

Buyer vs Seller

Airbus, is a manufacturer of civil and military aeronautic products. Its aircraft portfolio ranges from short and medium jets od the A320 family to the iconic A380, the largest passenger aircraft. Bombardier's product portfolio includes regional jets and mass transportation equipment. This deal comes after US Commerce Department sided with Boeing in a trade complaint against Bombardier, which led to a severe financial situation for Bombardier. Airbus is not paying in cash or stocks, rather it will use its global strength in procurement, sales and marketing, and customer support bolster demand for the C-Series.

Industry Overview

Airbus and Boeing form a duopoly large jet airliner market since the 1990s. As demand for smaller aircraft increases due the rise of low cost carriers and point to point connections, both companies overhauled their existing medium range jets. Simultaneously, China and Russia are building smaller regional jets, like the Comac C919 or Superjet 100. In this segment also Bombardier and Embraer are operating, but neither of the big two.

Peers	Currency	Market Cap (CUR m)
Textron Inc	USD	14,028.45
Boeing Co/The	USD	153,057.72
KLX Inc	USD	2,816.47
Hexcel Corp	USD	5,531.45
Trinity Industries Inc	USD	4,901.09

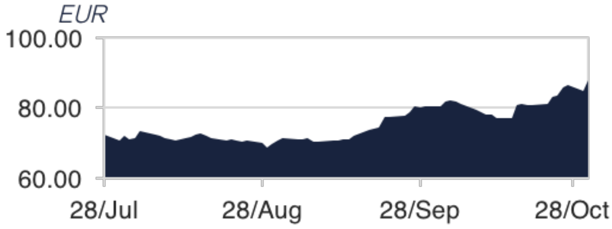
Deal Rationale

Airbus already has a strong position in the booming singe-aisle aircraft market, the more fuel efficient A320neo was just just recently delivered to the launch customer Lufthansa AG. The 100-150 seater C-Series jets are an addition to the higher capacity A320 family. The deal brings also certainty about the future of the C-Series, Airbus chief executive Tom Enders said: "potential C-Series customers held back because they were not entirely sure of the future of this programme going forward." After the deal, on Nov. 2nd Bombardier declared that an European airline singed a contract to buy 31 jets, worth USD 2.4 bn.

Market reaction

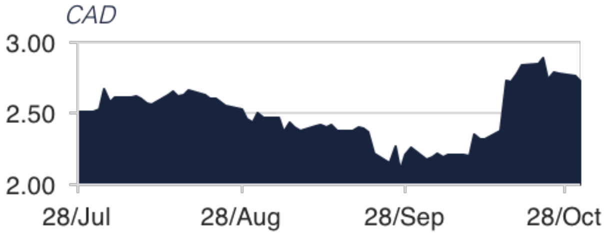
Airbus SE

On the day of the announcement, Oct17th, the stock price had an increase of 3%. After a 12% hike the stock reached a new all-time high on Oct 31st.



Bombardier Inc

The company's share performance after the deal announcement was very positive. An increase of 25% since announcement to a one-year high on Nov 2nd.



Future Challenges

Airbus needs to prove whether it can integrate the C-Series in its existing portfolio. Many airlines like the comfort of flying only one family of aircrafts, like the A320 or Boeing's 737. Pilots do not need extra training and aircraft capacity can be easily adjusted. Given the rise of Emerging Markets regional jets, Airbus is now in a advantage compared to Boeing. However, the US company still wants the US Commerce Department to sanction the C-Series with a 300% import levy, which could put a hold on US sales.

Philipp P. Breitbach
Investment Banking Division

M&A: Top Deals

Novartis to acquire Advanced Accelerator Application

Novartis announced it entered in a memorandum of understanding with Advanced Accelerator Application (AAA), the worldwide leader in nuclear medicine, listed on Nasdaq. Novartis would acquire AAA for USD 3.9 bn in cash, which represents a 47% premium.

Buyer vs Seller

Novartis is a Swiss-based multinational pharmaceutical company. With USD 48.5 bn of revenues in 2016, it is one of the largest pharmaceutical company in terms of revenues. AAA is a French-headquartered pharmaceutical group operating in nuclear medicine, treating (not exclusively) tumors. It has a portfolio of innovative applications and products in the fields of molecular imaging and therapy. Novartis was advised by PJT Partners advisory group, and AAA was advised by Jefferies.

Industry Overview

This acquisition is part of the strategy of Novartis to operate acquisitions of bolt-on between USD 2 and USD 5 b n. According to Bloomberg, current valuations make it hard to find targets in that range. Deal activity of large pharmaceuticals have decreased due to the valuations and political uncertainty, which includes U.S health-care policy and tax reform. 2017 may end up being a down year for pharma M&A.

Peers	Currency	Market Cap (CUR m)
First Sensor AG	EUR	212.35
Coltene Holding AG	CHF	417.68
Ion Beam Applications	EUR	785.85
Elekta AB	SEK	30,877.26
Guerbet	EUR	968.91

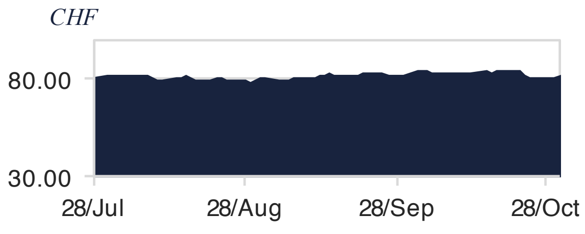
Deal Rationale

The integration of AAA's expertise gives Novartis a platform in radiopharmaceuticals. This acquisition will help the Swiss drug maker to strengthen its oncology business (tumor and cancer treatments). The star product of AAA, Lutathera, demonstrated in trials a 79% risk reduction compared to Novartis' drug Sandostatin, both treating neuroendocrine tumors (the tumor that killed Steve Jobs). Novartis' Sandostatin, which patent has expired, generates USD1.6 billion revenue per year. Novartis is likely to replace it with Lutathera and increase its price. The transaction to acquire AAA is planned to be fully funded through external short- and long-term debt.

Market reaction

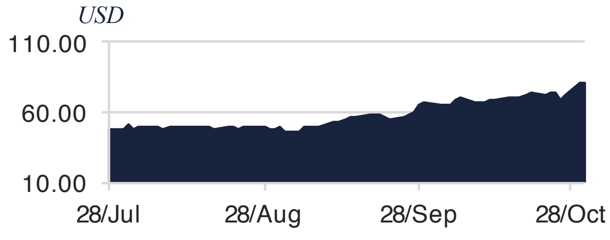
Novartis AG

The deal announcement didn't have any significant impact on the share price of Novartis AG. Novartis shares have risen 12% this year.



Advanced Accelerator Application (AAA)

At the end of the trading session following the announcement on October 30th, the price of AAA share jumped by 10.41%. Over the last three months, the price increased by 94%.



Future Challenges

Novartis generics business Sandoz is suffering in the U.S. amid pricing pressure, the tie-up with AAA would allow Novartis to boost up sales. Lutathera, AAA's flagship product, is waiting its approval in the US for January.
Novartis strategy is to shed some of its less profitable business to focus on growth area such as cancer.

Raphaël Agbanrin
Investment Banking Division

What happened to

Lufthansa

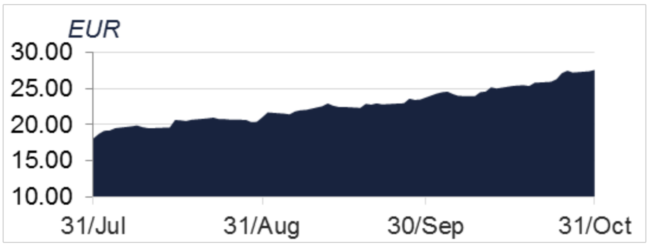
The Lufthansa Group is an aviation group with Lufthansa being its main subsidiary. The group, however, includes more than 550 equity investments and subsidiaries with leading positions in their respective markets. In 2016, the group subsidiaries and investments were organized into smaller segments namely Passenger transportation, Maintenance, Catering and others.

Corporate News

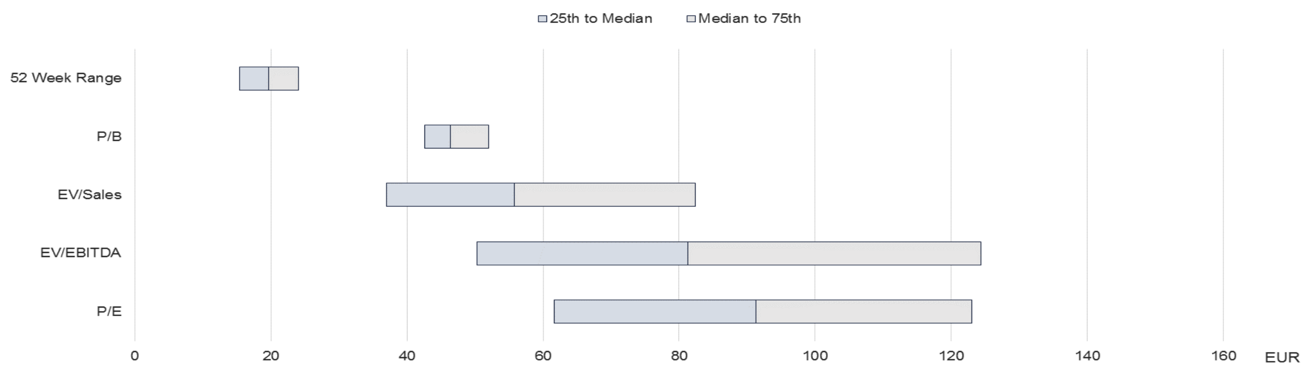
Lufthansa's shares are up by an impressive 128,20% YTD and 160,86% for the last 52 weeks, making it the best performer on the Dax this year. This strong performance is a direct result of Lufthansa's latest attempt to follow the airline industry consolidation, by purchasing in October EUR1.5bn worth of assets from Air Berlin, which has declared insolvency on the 15th of August. The German group is also looking forward to buying portions of Alitalia, another airliner about to face bankruptcy. This expansion strategy is followed by the threat of loss of market share in Germany to rivals such as Etihad and Emirates.

This comeback after difficult years of pricing pressures and wage disputes with pilots is, however, also yielding some regulatory headaches. On the 21st October, the European Commission forced Lufthansa to give up some air routes given the dominance of the group in some important air paths.

Price (31 Oct 17, EUR)	**27.40**
Target Price (EUR)	29.00
3M Performance	47.36%
Market Cap (EUR bn)	13.34
Enterprise Value (USD m)	13.93
**Target Price is for 12 months*	



Valuation Analysis



The Airline industry has been going through a major consolidation with mergers such as the Air France - KLM, implying higher growth prospects for these established companies. Trading at EUR28.23, the German group stock price shows that shareholders are optimistic and approve the group's expansion strategy. With the full-year profit forecast standing at EUR2.64bn, the company trades at a 3.52 EV/EBITDA multiple, significantly lower than the current industry average marked by very low quarter earnings in 2017.

Lufthansa's subsidiary Eurowings is hoping to become a very important low cost player and one of the goals of the purchase of 81 aircraft from Air Berlin is to expand the activity of this low cost airliner. The result of very low earnings in the competition side means that Lufthansa's' P/E ratio of 6.51 is particularly lower than that of its competitors with the same logic applying to the 3.52 EV/EBITDA ratio of the airliner. Shareholders are also aware of regulator's concerns, therefore, the valuation multiples are not has high as they could be if such growth barriers did not exist.

Peers	**Currency**	**Market Cap** (Cur m)
Air France-KLM	EUR	5,225.69
Finnair OYJ	EUR	1,424.87
Turk Hava Yollari AO	TRY	14,434.80
International Consolidated Air	GBP	12,988.12

Tiago Marques
Investment Banking Division

NIC's view on

ECB's monetary policy

Manuela Böck
Investment Banking Division

The European Central Bank accounted on 26th of October that it will begin gradually downsizing its quantitative easing program. Starting January 2018, the ECB will cut back monetary stimulus by lowering its monthly purchasing of assets from EUR 60 bn to EUR 30 bn. The ECB kept an open end to QE and clarified that it will continue to reinvest maturing bonds. This means that low interest rates will remain well past into 2019. Critics such as Bundesbank president Jens Weidmann did not take long to raise their concerns. Why is it that some policy makers, banks, fund managers and savers are feeling uncomfortable about the impact of low interest rates?

Low interest rates are counterproductive because they force savers to increase their saving rate in order to achieve their required capital sum. Lower interest rates turn savers not into spenders and lenders but rather into super savers. Negative effects of the life-time income flows of savers, the low interest rate neither stimulates the economy nor increases demand. However, low interest income does not only effect the regular retirement saver.

Corporates need to spend more money to live up to obligations of pension funds, therefore have less money to spend on R&D, capital expansion or hiring additional staff. According to a survey of pensions and other benefit obligations of companies in the S&P 500 index for 2016, conducted by S&P Dow Jones Indices, pension underfunding amounted to EUR 337 bn in 2016. This is 6.9% higher than in the previous year, even though companies contributed an extra of EUR 17.2 bn on top of the expected EUR 26.6 bn. The decline in interest rates simply boosted liabilities and demanded additional contributions. Next to concerns about pension obligations, many corporates and especially infrastructure companies who budget their project over the long-term, struggle financially because they anticipated an interest rate hike over the last few years. Instead of a decent interest income flow to boost their financial standing, corporates have gotten a blow to their budget due to low interest income.

The border debate also includes an argument of how much effect low interest rates actually have on investment. Companies require a rate of return based on their cost of capital. These rates are referred to as 'hurdle rates' and usually range between 15% and 20%. Although cost of capital decreases due to lower interest rates, corporate boards hardly pass on the impact of lower borrowing costs. Firms seemed to have come up with a more innovative idea to brush up their financial position. Instead of taking up loans to finance new investments, corporates turned into the equities markets biggest buyer of shares. Boosting the share price by buying up shares with cheap borrowed money seems to be the latest trend when it comes to increasing shareholder value. This does not only lead to misguiding evaluations of the equity market, it also destabilizes the economy. At some point the funds have to be paid back, by not spending it on investments that benefit the larger economy. They created uncertainty about their own future profitability as well as the market.

It's not only monetary policy makers responsibility to turn the low interest environment around. EU countries failed to implement necessary labor and economic reforms since the crisis. Although, the EU announced in 2014 to promote spending on infrastructure and innovation with a EUR 315bn plan, while continuing to work on a capital market union, results have yet to show. Instead of only criticizing the ECB, the German government including its top central bankers might want to take action and boost the economy by reducing their enormous current account surplus, and investing in much-needed reforms.

Date	Recent News
22 Jan 15	ECB unveils €1.1 trillion plan to start quantitative easing. *Source:* *ft.com*
10 Mar 16	ECB cuts interest rates to zero and increases quantitative easing. *Source:* *ft.com*
26 Oct 17	ECB's president announces downsizing of QE program and low interest rates well into 2019. *Source:* *ft.com*
27 Oct 17	Bundesbank president Jens Weidmann, amongst others, criticizes the dovish move. *Source:* *bloomberg.com*

Manuela Böck
Investment Banking Division

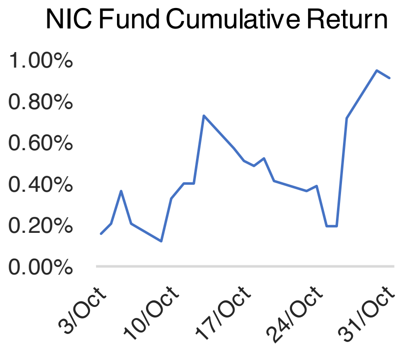
NIC

Nova Investment Club

NIC Fund

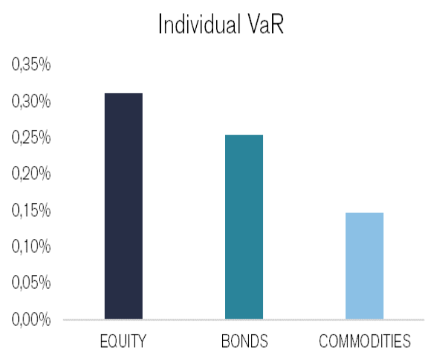
NIC Fund

Portfolio Overview



Portfolio Statistics	
Cumulative Return	0.77%
Annualized Return	9.19%
Daily St. Dev	0.17%
Period St. Dev	0.78%
Annualized St. Dev	2.71%
Info Sharpe	3.40
Skew (Daily)	0.99
Kurtosis (Daily)	1.18

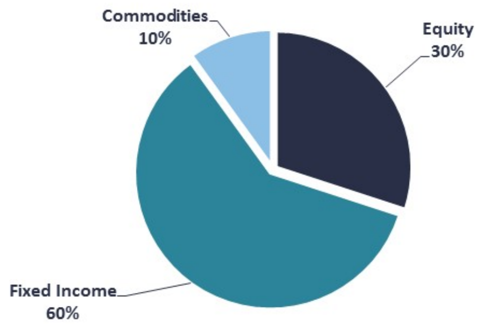
Benchmark	
iShares 3-7 Year Treasury Bonds	60%
SPDR S&P 500 ETF Trust	30%
Powershares DB Commodity Index	10%



Portfolio Snapshot

During the last month, the NIC Fund remained invested in Equities, Fixed Income and Commodities with very similar allocations to our benchmark fund. Overall, 30% of our fund remained devoted to Equities, 60% to Fixed Income and 10% Commodities. Yet, only 80% of the Equities were allocated to the benchmark S&P500, while the remaining 20% were allocated to six specific stocks, using an equally weighted strategy. Regarding Fixed Income, it was allocated exactly as the benchmark.

In terms of commodities, half of the allocation, i.e. 5%, was to gold as a way to hedge the portfolio through a bet in safe havens.



Return Metrics

The overall performance of the portfolio was positive, with a cumulative return of 0.77%. The best performers were Equities and Commodities, contributing with a positive return of 0.62% and 0.23%, respectively. On the contrary, Fixed Income contributed negatively to the portfolio, with a loss of -0.08%, due to increasing rates in the US.

In terms of equities, besides being invested in the S&P500, the portfolio was also invested in Tesla Inc (TSLA US), First Solar Inc (FSLR US), Pepsico Inc (PEP US), Air France KLM (AF FP) and Cliffs Natural Resources Inc (CLF US). The best performers were First Solar Inc and the S&P 500 ETF with a performance of 16.19% and 1.91% respectively, which translated into a contribution to the portfolio of 0.16% and 0.46%. Negative performance was contributed Cliffs Natural Resources falling 19.35%, contributing 0.19% negatively. Tesla added to the negative contribution by 0.03%, slipping 2.93% over the month.

Risk Metrics

In terms of risk, our portfolio registered a relatively low daily VaR of 0.30%, taking into consideration the benefits of diversification. On the other hand, also during the same period under analysis, the non-diversified VaR was at 0.72%, significantly below the maximum established threshold of 2.5%.

Equities were the asset class with the highest individual VaR, which was around 0.31%. On the other hand, Bonds and Commodities slightly lower VaRs of 0.26% and 0.15% respectively.

Julius Nimtz
Financial Markets Division

NIC Fund

Assets in brief

Asset Class	Symbol	Comments
US Equity	**SPY**	Our benchmark equities index, SPY tracks the S&P 500. Valuations are hitting historic heights with the S&P 500 now trading at a P/E of 17.6x 2018e, however, we believe that this is fueled by growth of the underlying economy being in an goldilocks environment. f
US Equity	**TSLA**	Our long position in Tesla, taken in the beginning of April, has returned us with a return of nearly 18%, outperforming the S&P 500 by 9%. Over the month, the stock retreated by 4%. Nevertheless, we see further potential in the stock as Tesla starts capitalizing R&D spending. However, short term execution risks arises from ramping up Model 3 production.
US Equity	**CLF**	Impacted from further falling iron ore prices, Cleveland Cliffs suffered over the last weeks. However, Q3 earnings are offering room for upside. The company reported USD 53mn net income in Q3, compared to a net loss of USD 28mn in the third quarter of 2016. The company is furthermore improving on the debt profile and increasing iron ore sales in the US market.
US Equity	**FSLR**	First Solar continues the recovery, reporting strong Q3 numbers. EPS was at USD 2.03 compared to estimates at USD 0.84 and the company was able to book 4.5 gigawatt of new business, mainly to customers changing to Series 6 which represents a leapfrog move in development, increasing the competitiveness of the company.
EU Equity	**AF**	Air France continues to benefit from the consolidation in the European airline market. Recent performance was dampened by a pension deal struck with unions adding a 331 million euro charge to the upcoming Q 3results. However, the long term benefits of the resolved disagreement with the crews out weight short term losses. Air France announced a joint venture with Indian Jet Airways, opening opportunities in the Indian market
US Equity	**PEP**	PepsiCo seems to be poised for growth as the company aims to become the market leader in the snack-food category. Q3 results were mixed, top line growth missed the market estimate of USD16.31bn by USD0.07bn, growing 1.33% YoY. EPS grew 5.71% YoY to USD 1.48 per share, meeting market estimates. Full year EPS guidance was raised from USD 5.13 to USD 5.23 due to higher core EPS growth and lower negative foreign currency impact.
US Treasury Bonds	**IEI ETF**	Our benchmark bond index, IEI invests in treasuries with maturities from 3-7 years. Over the month, we have seen an increase in yields, especially in short and medium term treasuries. The unwinding of the FED balance sheet and another expected rate hike in December are pushing yields up
Commodity	**GLD ETF**	Our “Safe Haven” asset, the GLD ETF generally outperforms in times of high market volatility. We have reduced our position in this asset to bring our overall commodities weight back in line with the benchmark.
Commodity	**DBC ETF**	Our primary commodities index, DBC tracks a basket of 14 commodities. The ETF had a positive performance over the last month, mainly driven increasing energy prices as well as base metals, especially nickel and copper. The increase in energy prices is fueled through output cuts from OPEC which finally have an effect on the price. Furthermore geopolitical uncertainty regarding Kurdish oil production from Kirkut aroused because of an independence referendum by the Kurds.

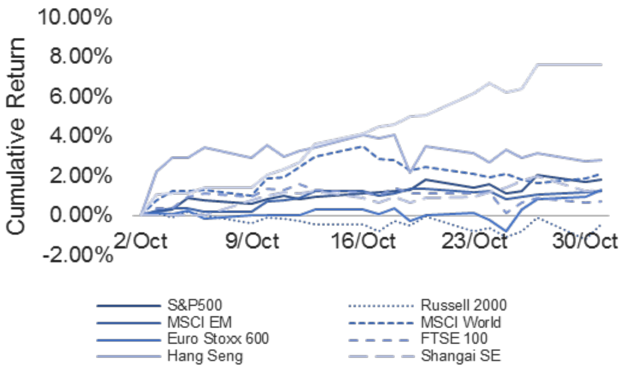
Julius Nimtz
Financial Markets Division

NIC Fund

Equities

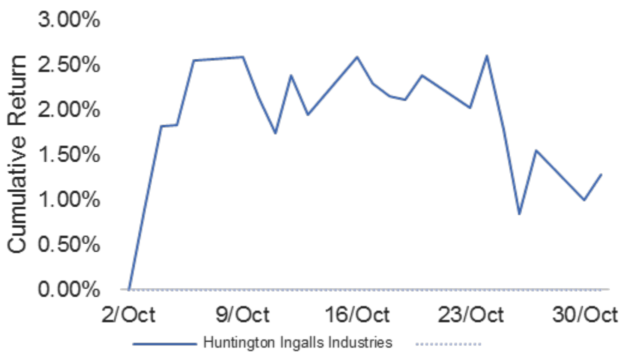
World Equities

October saw the European Central Bank (ECB) announce a reduction in the pace of its quantitative easing programme from EUR 60 bn to EUR 30 bn of purchases per month. In reaction, the German 10-year Bund yield fell by 7bp and the euro depreciated 1.7% against the US dollar. This was supportive for European equities, with the Euro Stoxx 50 Index closing up 1.3% on the day of the announcement. Politics continued to generate headlines over the last month. Beginning in Japan, Prime Minister Shinzo Abe enjoyed a landside win in the snap general election, securing a two-thirds parliament majority for the Liberal Democratic Party. This was taken as a positive by the Japanese equity market with the Nikkei 225 Index up 2.6% over that week. In the US, the first hurdle in the path for President Trump's tax plans was cleared as both the Senate and the House of Representatives agreed on a budget for 2018. This enables Congress to move on to debating and finalising the tax bill which was presented by the house of representatives on November 2nd. The S&P 500 did not register any major move, since this reform has already been largely incorporated into prices in the previous months. In Spain, the Catalan parliament declared independence from Spain, which triggered the Spanish senate to approve direct rule of Catalonia by Madrid. Spain's IBEX was only down by 0.7%.



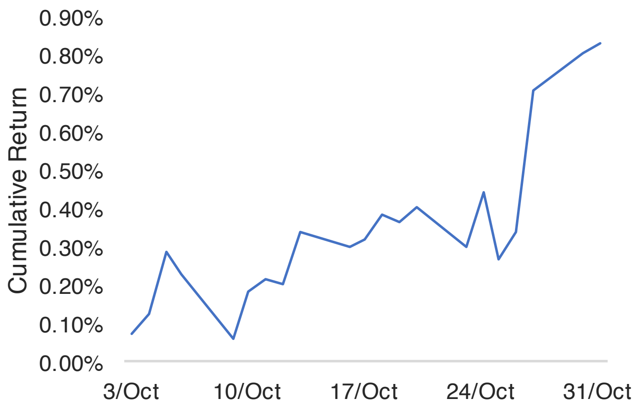
In depth

In November, investors should watch out for Trump's announcement for the FED chair, with markets anticipating it will be Jerome Powell. Investors should also follow closely the release of the unit auto sales report, which can offer investors some hints about whether consumer spending did or did not cool in October. This report's results can cause some agitation, either positively or negatively on the equity markets, especially in the manufacturing sector. Additionally, employment data will also be published at the beginning of the month, with possible swings in payrolls associated with the hurricanes effect on the US economy. In conclusion, our top pick for investing this month is Huntington Ingalls Industries, which is a company that could offer rewarding returns in the next months. Huntington is the cheapest big defense stock when valued on earnings (P/E) and P/FCF, which makes this company one of the most attractively priced stocks on the market right now.



Our performance

During the month of October, our equities porftolio had a cumulative return of 0.62% led by First Solar with a return of 16.19%. Cliffs Natural Resources had a negative impact on the monthly return with a 19.35% loss for the month



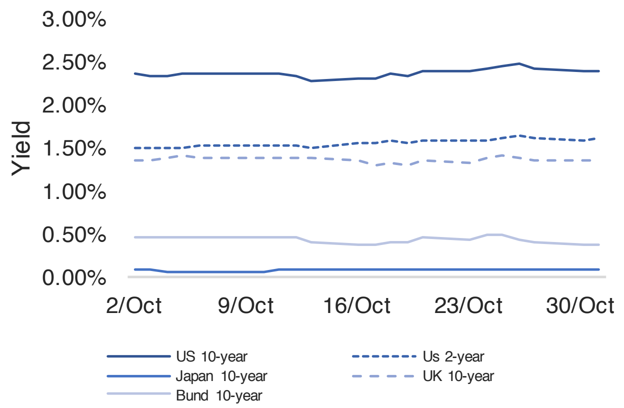
Mahomed Vali
Financial Markets Division

NIC Fund

Fixed Income

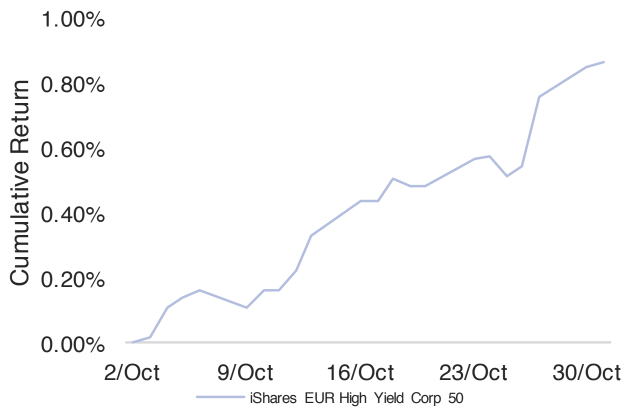
World Yields

Shortly after the announcement of the ECB monetary stimulus to be less aggressive than expected, the 10-year Bund rate fell to as low as 0.368% while other euro zone yields also lost value. On the contrary, the demand for financial stocks increased and the CAC 40 and the Euro Stoxx 600 rose respectively by 0.9% and 0.5%. On another hand, the current discussion regarding a more hawkish successor of Janet Yellen pushed the US bond prices higher. The 10-year US bonds lost 3.2 basis point at the end of the month to reach 2.38% and the US 2-year bonds – 1.6%. While the bank of Japan kept monetary policy on hold with a short-term interest rate at -0.1%, the 10-year bond rate close to zero (0.055%) remains relatively stable. The UK 10-year bonds increase by 1.60% and it has already priced the future interest rate hike upcoming. If Mark Carney failed to increase the rate, this will most likely result in a drop in the UK 10-year yield curve.



In depth

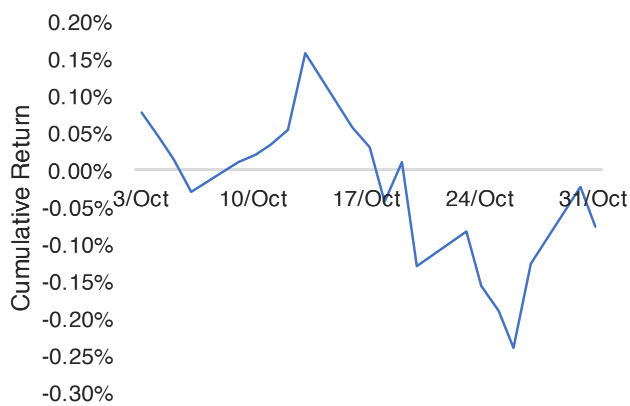
The fixed income market expects to be affected by the monetary policy changes of the FED and ECB, namely unwinding their respective quantitative easing programmes. The current movement in bond prices revealed how the market will presumably anticipate the upcoming interest rate increase announced by the FED to occur in December. Unemployment is still low at 4.1% and is the lowest since 2001, wages grow and inflation stays low (2.2%). Therefore, analysts expect to see a higher hike rate this time even if due to the low inflation it is unlikely to rise above 2.4%. Chinese bonds have risen in October after the central bank decided to inject cash into the market in order to increase banks' borrowing costs. The market is already expecting further initiatives of monetary tightening. The 10-year Chinese Government Bond rate rose to 3.92% to reach its highest level in more than three years. This has been the biggest increase since May and resulted in another Chinese Company defaulting on bonds payment while the cost of borrowing became higher. Therefore, it is strongly suggested to keep an eye on those bonds as it might affect the global market. As the yield rises when bond price falls, financial stocks should benefit from higher interest rates.



The trading idea of the month is the iShares EUR High Yield Corp Bond (IHYG LN) which is an open-ended ETF. The Fund aims to track the performance of the Markit iBoxx EUR Liquid High Yield Index. The security rose by 0.866% in October to hit 107.96 euros per shares and is up 1.4% this year.

Our performance

The IEI ETF which tracks the 3-7 Year US Treasury bonds had a negative monthly return of -0.08%.



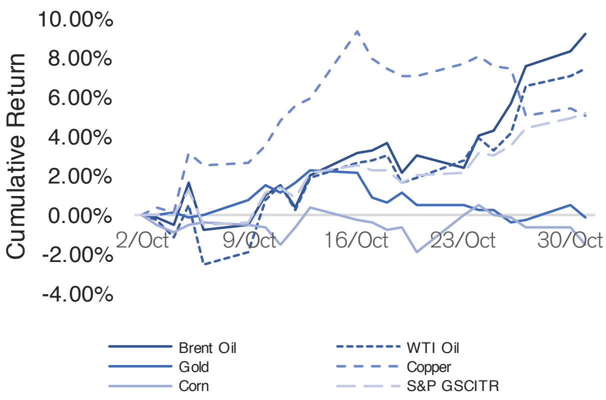
Sophie Pourinet
Financial Markets Division

NIC Fund

Commodities

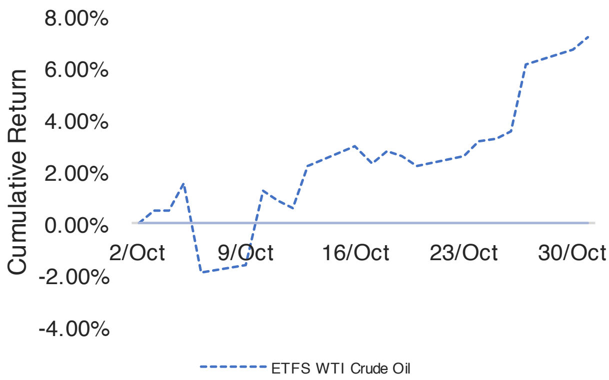
October at a glance

The S&P GSCI Total return index, which tracks 24 commodities, has been rising by 5.5% throughout October and is rallying ever since the end of June. This is mainly driven by strong months for Brent, WTI and other energy commodities since they constitute over 68% of the index. Year-to-date, the index gained 6.8%. Top gainers this month were Brent and West Texas Intermediate (WTI) with 8.5% and 7.1% respectively. Brent crude oil hit USD 60 a barrel mid-October for the first time in more than two years, in the latest sign the market is tightening after a three-year glut. The performance of precious metals like gold, silver and platinum remained comparably flat, finishing October with a gain of 0.1%, 1.3% and 1.5% respectively.



Also worth mentioning is the rally of both copper and zinc since the start of 2017. Copper is up almost 25% since January and traded above USD 7,000 a tonne in early October for the first time in three years. Zinc has risen by a similar amount and hit a 10-year high above USD 3,300 a tonne at the beginning of October.

The world's economy expands at its fastest in years, boosting oil demand, which is furthermore fueled by prices that remain nearly half the level they were in mid-2014. The cuts in output, made in conjunction with Russia and other large producers, have also contributed to the tightening in the market with the USD 60 a barrel level believed to be a key target for the cartel's de facto leader, Saudi Arabia.

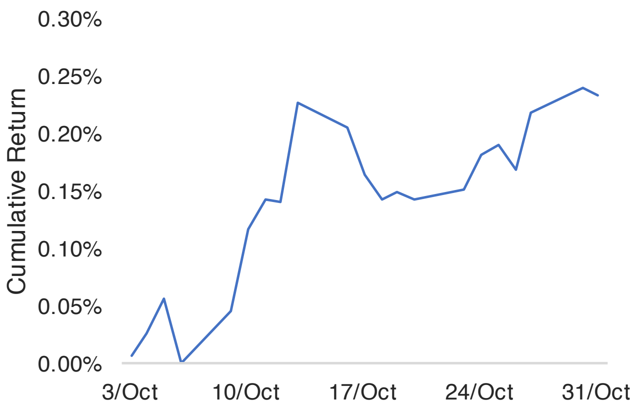


Outlook for November

An extension of the supply cuts pact which currently runs to March 2018 is expected to be discussed in November when oil ministers meet in Vienna. Some of the world's most powerful oil producers are rallying behind that extension, providing support to crude prices that have rebounded to USD 60 a barrel. Saudi Arabia, the world's largest oil exporter joined forces with producers both inside and outside the cartel, such as Russia, to restrict production by 1.8m barrels a day.

Our performance

During the month of October, the DB Powershares Commodity Index returned 0.23%. Primarily driven by an increase in oil prices.



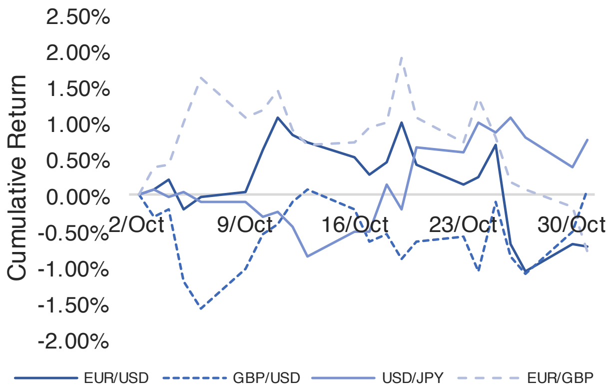
Nick Dörner
Financial Markets Division

NIC Fund

Currencies

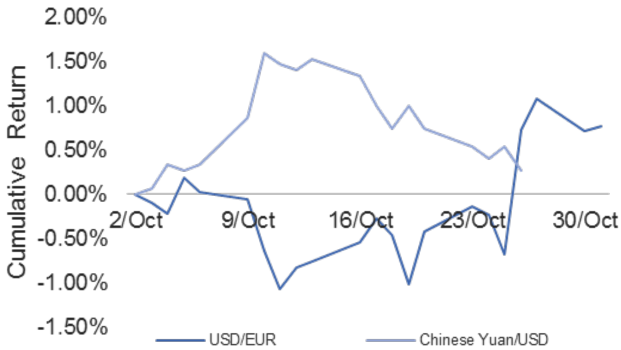
World Currencies

The British pound ended the month appreciating against both the Euro and the US dollar, after increasing expectations of a rate hike in November by the BoE. This movement comes after weeks of volatile behaviour, sensitive to reports of lack of unity in the Conservative government and signs that Britain might leave the European Union with a worse than expected deal.



The Euro started off October with a positive performance, with focus shifting away from political uncertainty in Catalonia to strong European economic performance data. However, in the end of the month with the announcement of the ECB planning to taper its bond purchases at the beginning of next year and the declaration of independence by the Catalan parliament, the European single currency sold off.

With a weaker euro, the dollar strengthened on positive economic data and speculation about President Trump selecting, as chair of the Fed, someone who favours more hawkish measures. The dollar had gained momentum after Trump's budget approval, feeding expectations of a large-scale tax reform and tax cuts. Overall in October, it has appreciated in relation to the Japanese Yen, Euro and the British Pound.



In Asia, the Japanese Yen performance was mainly affected by the Japanese elections, which Abe Shinzo won, calming investors fearing that the yen weakening strategy against the dollar would be reversed. The yen depreciated against the dollar, after the results were announced.

In depth

Forex investors should have their eyes on the US dollar and the Chinese Yuan pair next month.

The decision of the next Fed Chairman will be made in the 1st of November with the most probable candidate being Jay Powell. This candidate, comparing to other potential choices, is seen as more dovish on monetary policy, leading markets to expect smoother changes in monetary policy, hence less volatile USD performance regarding changes in the Fed's rate.

Next week, investors should be concentrated on the shift of the Yuan against the dollar. With President Trump's visit to Beijing, People's Bank of China is likely to fortify the value of the yuan. This will be made in an attempt for China to avoid being criticized for engaging in competitive devaluation in order to increase its imports.

Our performance

We currently hold no currency related assets in our portfolio.

Sofia dos Santos Nunes
Financial Markets Division

Extras

Hot Topic

The crisis in Venezuela

Katerina Rybarova
Investment Banking Division

Prior to 2013, Venezuela had the richest economy in Latin America. Its growth was mainly supported by crude oil, as it has the largest reserves in the world. With the appointment of Nicolás Maduro as the new president, combined with the sharp fall in oil prices in 2014, the country entered a crisis. As of now, Venezuela struggles with hyperinflation, high rates of unemployment, extreme poverty and country-wide protests.

Venezuela is a Federal Republic in Latin America with 31m inhabitants. With 300.88bn barrels of crude oil, it has the largest oil reserves in the world, surpassing Saudi Arabia. Under the presidency of Hugo Chávez, who was in the office until March 2013, it became highly dependent on crude oil, accounting for 95% of Venezuela's export and 50% of its federal budget revenue.

With his death, Nicolás Maduro came to power. In 2014 oil prices fell by approximately 50%, leaving the highly dependent economy in downturn. Since Venezuela does not have many oil investments outside of the country, it did not manage to control for currency inflation, leading to its rapid increase. In 2017, the inflation hit 721%, leaving bolivar, the local currency, worthless. It is predicted to rise to 2069% next year.

The conditions in Venezuela have given opportunity to the rise of black markets, where locals turn to buy food or medicine for prices often 100% higher than comparable goods in the United States. Additionally, they have there a possibility for currency exchanges. The official Dipro quoted exchange rate is 1 USD for 10.64 bolivars, whereas according to CNBC on the back market the standard rate is 3,000 bolivars per 1 USD.

As the regime was under pressure, to maintain the control the Supreme Tribunal of Justice comprised of Maduro's supporters took over legislative powers of the National Assembly, limiting the oppositions' impact. This act led to country-wide protests and international criticism. Consequently, the National Assembly was given back its power. However, in May 2017 Maduro declared that a new legislative body, the Constituent Assembly, has now the power to rewrite the constitution. The members of Constituent Assembly would be elected by social organizations loyal to Maduro, not by the public. Such actions led to Donald Trump, the president of the United States, imposing several sanctions on president Maduro and his allies including freezing their assets under US jurisdiction and restrictions on raising new debt.

International banks have several responses to the regime and whether they should take advantage of investment opportunities in Venezuela. In May 2017, Goldman Sachs bought USD 2.8bn worth of Venezuelan bonds. In August 2017, Credit Suisse made a statement declaring that it will not invest in Venezuela and no one else should, as it would suggest support to the dictatorship that Venezuela is currently under.

Currently, the focus is on whether Venezuela will be able to pay its debt obligations. Venezuela has currently only USD 9.9bn in foreign reserves with as much as half of them being tight to gold or illiquid assets. The nation's state owned oil company Petroleos de Venezuela SA (PDVSA) has missed in October 2017 five coupon payments totaling USD 350m. Moreover, PDVSA has bond payments of USD 2bn due in the first week of November. A default of Venezuela on these payments would highly undermine Maduro's regime.

How will the crisis evolve is still unclear. It depends mostly on future oil prices and international pressure. According to Capital Economics, the default of Venezuela could take as long as until the year 2019. So far in 2017, as many as 163 people died during the protests against president Maduro.

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Thank you!

Visit **www.novainvestmentclub.com** for more updates.

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