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As we have pointed out in previous commentaries, the global risk premium continues to edge lower as it responds to the robust global monetary policy adjustment seen over the last few months. Volatility in the market peaked in early November and the subsequent decline has spurred a substantial adjustment in credit and foreign exchange risk premiums allowing high yield and investment grade debt spreads to decline and emerging market currencies to appreciate.

This week global central banks continued to provide dovish signals as we heard accommodative noises from the Brazilian and Indian central banks and further dovish talk from the U.S. Fed. Friday's strong U.S. job's data combined with generally positive global PMI data also underscored the risk of being too bearishly positioned and has exposed the risk of being long government bond yields at these very low levels.

Global new issuance in the high yield, investment grade and emerging markets continued this week with supply met by very strong demand. Underscoring the strong demand we saw, Petrobras, Brazil's flagship oil and gas corporation, issue a massive \$U.S. 7 billion four tranche deal this week which had orders for over \$25 billion.

Our funds continue to perform well and they have had a very solid start this January. Investors should continue to focus on breakeven rates to help in making their fixed income allocation. As a reminder, at the start of the year a ten year Government of Canada bond yielded 1.94%. Yields only had to increase by 0.21% to 2.15% (currently 2.03%) to eliminate your income for the year.

Have a good weekend.



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