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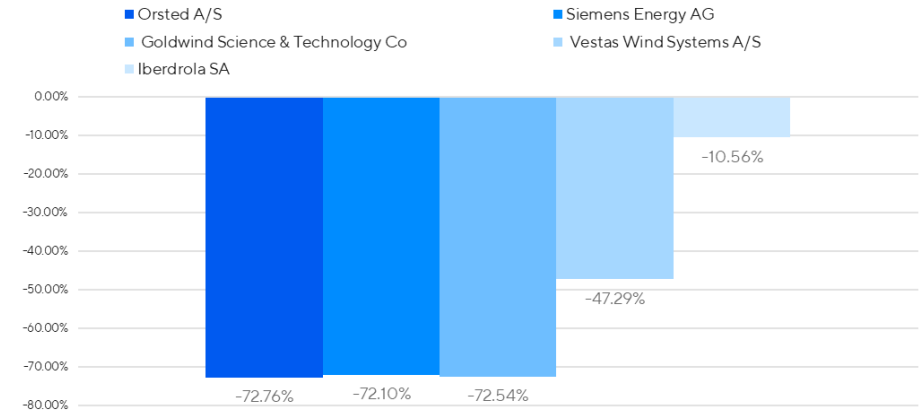
Financial Markets Review

Gone with the wind

The past month has been one of the worst for the wind energy industry in the recent years. Despite the favorable overall trend for alternative energy and significant amounts of subsidies and other types of support from governments, almost all major companies involved in the production and operation of wind generators have recently reported significant drops in revenue, record losses and cancellation of several large projects. For instance, German group Siemens Energy recently announced it expects a loss of 4.5 billion euros in fiscal 2024 due to operational problems at its wind turbine unit Gamesa. Another major wind turbine maker, Chinese company Xinjiang Goldwind, reported a year-on-year drop in profit of 98% in the third quarter of 2023. Danish company Orsted A/S, which develops and operates wind power generator parks, has written down more than \$4 billion of assets due to the cancellation of two major projects in the United States.

Problems in the sector started around the same time interest rates began to rise, but recently companies have found themselves in a perfect storm. Demand for new wind energy projects peaked during the recovery from the Covid-19 crisis, as energy prices had risen to record levels and more governments were increasingly reconsidering the pace of their transition to renewable energy. However, due to the rapid increase in production costs and the cost of financing some of the projects, for which contracts were signed in the 2020-2021 period, became unprofitable for the largest manufacturers, while at the same time the volume of new orders also began to decline against the backdrop of economic sentiment. Nevertheless, another round of rising energy prices, as well as the ongoing geopolitical instability, still make wind energy a fairly competitive and even attractive source of energy. The question rather is how quickly the leading market players will be able to overcome the current financial difficulties and operational issues.

Stock price change of the largest publicly traded companies in the wind energy sector for the period from January 1, 2021, to October 31, 2023,(EUR currency)



Source: Bloomberg,

“Troubles of the wind energy sector began just as interest rates started to rise”

The European Central Bank keeps interest rates at the previous level

On October 26, after ten consecutive interest rate hikes, the European Central Bank kept the deposit rate unchanged at 4%. According to the ECB, the interest rate has reached a level that, if maintained for long enough, will have a significant impact on reducing the inflation rate.

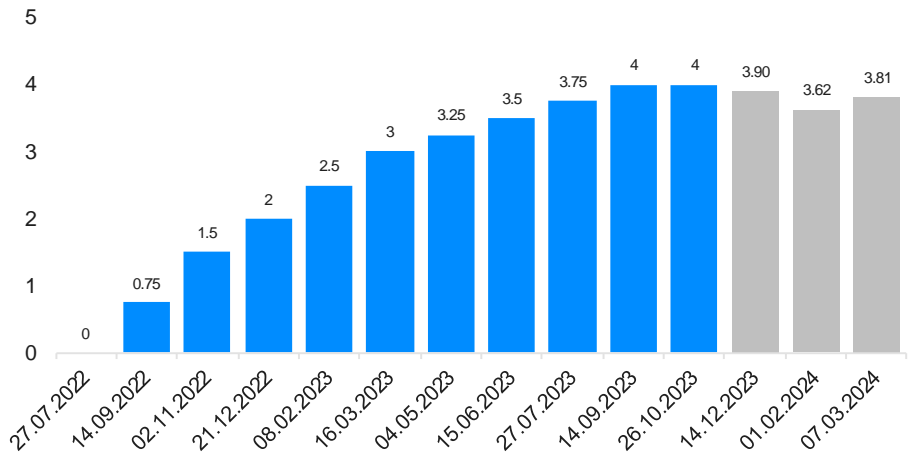
Despite a significant drop in the rate of Eurozone's inflation growth in October, the ECB still expects inflation to remain too high for too long. Responding to questions about interest rate cuts, the ECB's President Christine Lagarde said that it is "totally premature" to even discuss decreasing the interest rate. In a similar manner, other council members have mentioned the possibility of further interest rate hikes in the event of a significant inflationary shock. In future meetings, the council promises to set interest rates at sufficiently restrictive levels for as long as necessary to achieve its goal of returning inflation to 2% in the medium term. The next meeting is scheduled for December 14.

The Bank of England keeps the interest rate unchanged

On November 2, the Bank of England kept the interest rate unchanged at 5.25% by a vote of 6 to 3. The rhetoric from BoE officials was very similar to that of the ECB. Namely, inflation is still too high, and to curb it, interest rates will have to remain in restrictive territory for a longer period of time. The BoE is also not completely closing the door on possible rate hikes in the future, noting that it would be forced to raise rates even higher in the event of more persistent inflationary pressures. Nevertheless, financial markets are fairly confident that the highest point for interest rates has already been reached and that the BoE will keep the rate unchanged until it commences cuts in the middle of the next year. The head of the BoE, Andrew Bailey, warned, however, that it is much too early to think about rate cuts.

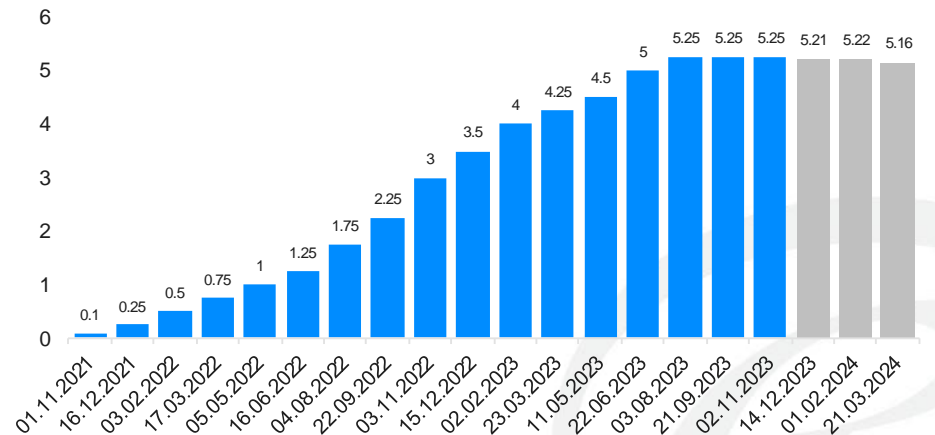
The BoE hopes to achieve its 2% inflation target by the end of 2025, but it must be careful not to drag the economy into recession with its monetary policy. In the 3rd quarter, UK's GDP is expected to be at the same level as in the previous quarter, while in the 4th quarter, the economy is expected to grow by only 0.1% - both forecasts are below the growth previously expected in August. In other words, there are signs that the economy is beginning to stagnate, while the restrictive monetary policy is further contributing to the slowdown in business activity. The next BoE meeting is scheduled for December 14.

ECB Deposit Facility Rate (blue), forward rate (grey)



Source: Bloomberg

Bank of England Official Bank Rate (blue), forward rate (grey)



Source: Bloomberg

The Fed leaves interest rates unchanged for the second time in a row

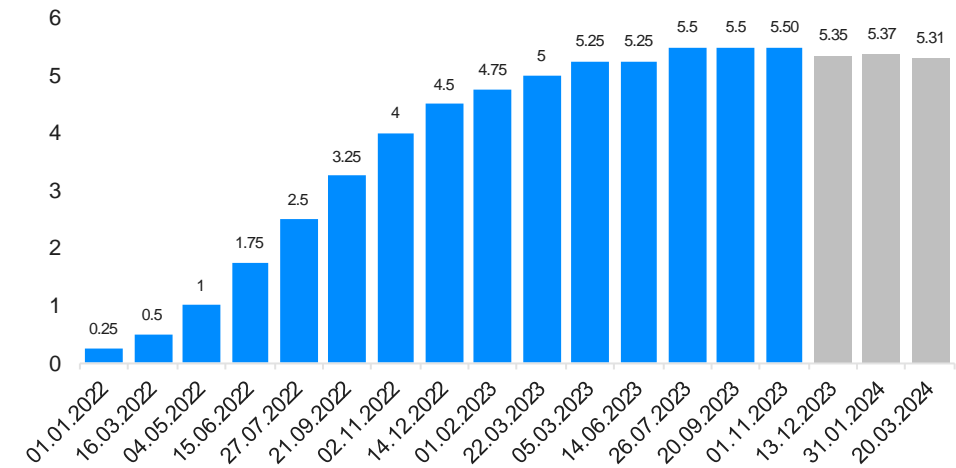
At its November 1 meeting, despite persistently high inflation, low unemployment rate and strong economic activity, the Fed decided to keep interest rates unchanged at 5.25%-5.5% level for the second time in a row. The Fed continues to hold the view that interest rates need to remain higher for longer to see results in the fight against high inflation. The Fed believes that higher yields in the financial markets are helping the central bank in taming inflation. The head of the Fed noted that higher yields in debt markets should eventually lead to reduced economic activity. The next interest rate decision meeting is scheduled for December 13.

The Bank of Japan is changing its rhetoric on long-term bond yields

The Bank of Japan once again left its short-term interest rate unchanged at -0.1%, despite the country's core inflation rate exceeding its 2% target for 18 consecutive months. However, unlike the previous meeting, the BoJ on October 31 changed the language used to define the 10-year bond yield control policy – the yield target is still set at 0%, but the strict yield cap of 1% adopted in July will now merely serve as a loose upper bound. This means that the yield on 10-year Japanese government bonds may go slightly beyond 1% without the BoJ defending the level at all costs by aggressively purchasing its own debt securities from the market. Considering the monetary policy decisions made this year by the BoJ and the situation in other developed countries, several market participants have expressed the opinion that the yield curve control policy might soon come to an end. The head of the BoJ, Kazuo Ueda, says, however, that the regulator is ready to continue the bond yield control policy and negative interest rates until a sustainable return of the inflation rate to the 2% level is in sight. One can sense that the BoJ does not want to rush with the normalization of the monetary policy.

In its report, the Bank of Japan also revised future inflation forecasts to 2.8% (from the previously forecasted 2.5%) in fiscal 2023, 2.8% (1.9%) in FY2024 and 1.7% (1.6%) in FY2025. The next meeting of the BoJ is expected on December 15.

US Federal Funds Rate (blue), forward rate (grey)



Source: Bloomberg

“The Fed believes higher yields in the bond markets will assist in taming inflation”

Inflation continues to decline as unemployment remains low

Annual inflation in the Eurozone decreased by 1.4 percentage points in October compared to September, reaching 2.9%, which is the lowest inflation rate reading since July 2021. The core inflation rate, however, decreased by only 0.3 percentage points to 4.3%. The US inflation rate in September remained at the level of the previous month, amounting to 3.7% in annual terms. Core inflation in the US fell by 0.2 percentage points to 4.1% year-on-year. In the UK, inflation remained at 6.7% in September, with core inflation falling by 0.1 percentage point to 6.1%. In Japan, the inflation rate decreased by 0.2 percentage points to 3% year-on-year in September.

The US unemployment rate rose 0.1 percentage point to 3.9% in September, the highest since January 2022. The number of non-farm payrolls increased by only 150 thousand, which was below the forecast of 180 thousand. The unemployment rate in the Eurozone increased by 0.1 percentage point in September and amounted to 6.5%. In the UK, unemployment rate rose by 0.1 percentage point in July to 4.3%. Japan's unemployment rate fell by 0.1 percentage point to 2.6% in September.

Eurozone gross domestic product decreased by 0.1% in Q3 compared to Q2 2023, but compared to Q3 2022 GDP growth was 0.1%. Among the major eurozone countries, the economy grew in France and Spain. In Italy GDP was unchanged, but in Germany it fell by 0.1%. US GDP in the 3rd quarter beat forecasts and grew by a healthy 4.9% year-on-year. China's economy also grew by 4.9% year-on-year in the 3rd quarter, exceeding forecasts of 4.4%.

Economic Calendar

DATE	COUNTRY	REPORT	FORECAST
10 / 11 / 23	GB	GDP Q3 2023 (QoQ)	-0.1%
14 / 11 / 23	GB	Unemployment rate (SEP)	4.4%
14 / 11 / 23	US	Inflation Rate YoY (OCT)	3.7%
15 / 11 / 23	JP	GDP Q3 2023 (QoQ)	-0.1%
15 / 11 / 23	GB	Inflation Rate YoY (OCT)	4.9%
22 / 11 / 23	US	FOMC Minutes	-
24 / 11 / 23	JP	Inflation Rate YoY (OCT)	-
30 / 11 / 23	Euro Area	Inflation Rate YoY (NOV)	-
30 / 11 / 23	Euro Area	Unemployment rate (OCT)	6.6%

Source: Trading Economics

“The target inflation rate of 2% is so close, yet so far”

EUR Bonds List

German Bunds

ISSUER	CURRENCY	YIELD	MATURITY	RATING	PRICE	COUPON	ISIN	MIN PIECE
Federal Republic of Germany	EUR	3.50	15.08.2024	NR	98.11	1	DE0001102366	0.01
Federal Republic of Germany	EUR	3.04	15.08.2025	NR	96.53	1	DE0001102382	0.01
Federal Republic of Germany	EUR	2.73	15.08.2026	NR	92.82	0	DE0001102408	0.01
Federal Republic of Germany	EUR	2.57	15.08.2027	NR	92.63	0.5	DE0001102424	0.01
Federal Republic of Germany	EUR	2.52	15.08.2028	NR	89.93	0.25	DE0001102457	0.01
Federal Republic of Germany	EUR	2.50	15.08.2029	NR	86.73	0	DE0001102473	0.01
Federal Republic of Germany	EUR	2.56	15.08.2032	NR	93.28	1.7	DE0001102606	0.01
Federal Republic of Germany	EUR	2.80	15.08.2052	NR	45.14	0	DE0001102572	0.01

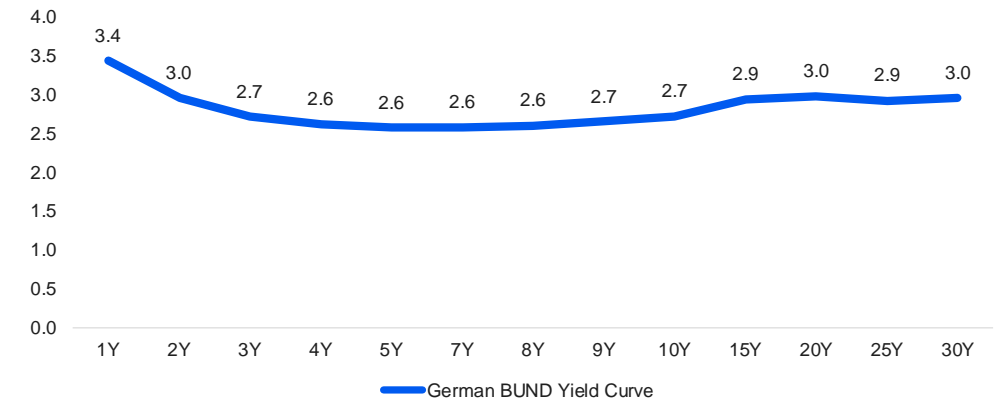
Source: Bloomberg

Investment Grade

ISSUER	CURRENCY	YIELD	MATURITY	RATING	PRICE	COUPON	ISIN	MIN PIECE
Portuguese Republic	EUR	3.35	15.02.2024	NR	100.51	5.65	PTOTEQOE0015	0.01
Republic of Latvia	EUR	3.35	30.04.2024	A-	99.49	2.875	XS1063399536	100 000
French Republic	EUR	3.49	25.11.2024	NR	98.22	1.75	FR0011962398	1
Republic of Poland	EUR	3.29	20.01.2025	A-	101.93	5.25	XS0479333311	1 000
Republic of Lithuania	EUR	4.10	06.05.2025	A	94.22	0.25	XS2168038417	1 000
Portuguese Republic	EUR	3.01	15.10.2025	NR	99.66	2.875	PTOTEKOE0011	0.01
French Republic	EUR	3.08	25.11.2025	NR	95.91	1	FR0012938116	1
Romania	EUR	4.52	27.09.2026	BBB-	100.92	5	XS2538440780	1 000
Republic of Latvia	EUR	3.51	07.10.2026	A-	91.15	0.375	XS1501554874	100 000
Kingdom of Spain	EUR	3.18	31.10.2026	BBB+	94.70	1.3	ES00000128H5	1 000
Republic of Latvia	EUR	3.48	25.03.2027	A-	100.86	3.875	XS2549862758	100 000
Republic of Poland	EUR	3.33	22.10.2027	A-	92.45	1.375	XS1584894650	1 000
French Republic	EUR	2.92	25.02.2028	NR	91.34	0.75	FR001400AIN5	1
Republic of Lithuania	EUR	3.87	25.04.2028	A	100.58	4.125	XS2547270756	1 000
Republic of Latvia	EUR	3.95	24.01.2029	A-	81.32	0	XS2361416915	100 000
Republic of Lithuania	EUR	3.90	01.06.2032	A	86.77	2.125	XS2487342649	1 000
Republic of Estonia	EUR	3.60	12.10.2032	NR	102.54	4	XS2532370231	1 000
French Republic	EUR	3.14	25.11.2032	NR	91.16	2	FR001400BKZ3	1

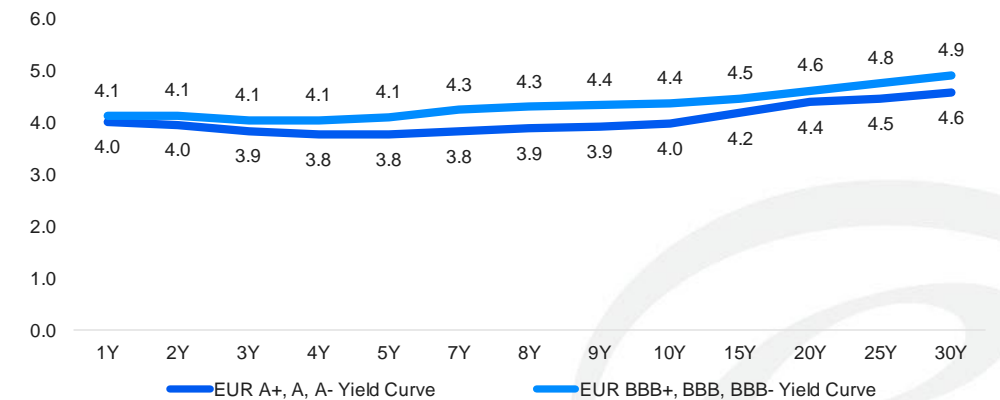
Source: Bloomberg

German Bund Yield Curve



Source: Bloomberg

Investment Grade Bonds Yield Curve



Source: Bloomberg

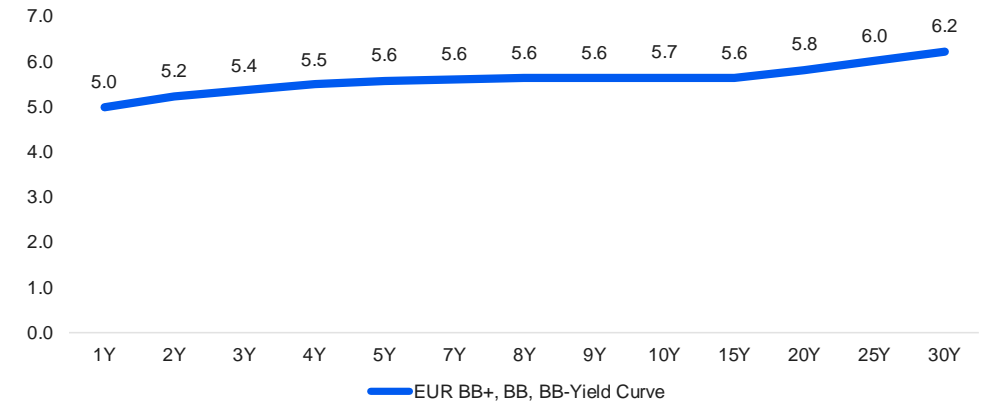
EUR Bonds List

High Yield

ISSUER	CURRENCY	YIELD	MATURITY	RATING	PRICE	COUPON	ISIN	MIN PIECE
SoftBank Group Corp	EUR	5.12	06.07.2024	NR	97.68	2.125	XS2361253862	100 000
Republic of Montenegro	EUR	5.31	21.04.2025	B	96.91	3.375	XS1807201899	100 000
Nokia Oyj	EUR	4.08	15.05.2025	BB+	97.32	2.375	XS2171759256	100 000
Republic of Turkiye/The	EUR	4.59	14.06.2025	B-	97.61	3.25	XS1629918415	100 000
Renault SA	EUR	3.82	28.11.2025	BB+	94.03	1	FR0013299435	1 000
Cemex SAB de CV	EUR	4.78	19.03.2026	BB+	95.97	3.125	XS1964617879	100 000
Republic of Colombia	EUR	5.13	22.03.2026	BB+	96.98	3.875	XS1385239006	100 000
KOC Holding AS	EUR	5.76	27.05.2026	BB-	93.18	3	XS2346972263	100 000
Akropolis Group Uab	EUR	7.62	02.06.2026	BB+	88.43	2.875	XS2346869097	100 000
Republic of North Macedonia	EUR	5.90	03.06.2026	BB	94.39	3.675	XS2181690665	100 000
Republic of South Africa	EUR	4.74	24.07.2026	BB-	97.16	3.75	XS1090107159	100 000
Deutsche Lufthansa AG	EUR	4.81	16.05.2027	BB+	93.43	2.875	XS2408458730	100 000
Maxima Grupe UAB	EUR	6.37	12.07.2027	NR	98.67	6.25	XS2485155464	100 000
Republic of Montenegro	EUR	6.71	16.12.2027	B	86.16	2.875	XS2270576700	100 000
Petroleos Mexicanos	EUR	10.14	21.02.2028	BB	82.00	4.875	XS1568888777	100 000
Republic of North Macedonia	EUR	6.28	10.03.2028	BB	82.39	1.625	XS2310118893	100 000
Goodyear Tire & Rubber Co/The	EUR	6.18	15.08.2028	BB-	85.46	2.75	XS2390510142	100 000
Deutsche Lufthansa AG	EUR	5.03	14.07.2029	BB+	92.07	3.5	XS2363235107	100 000
Petroleos Mexicanos	EUR	10.43	26.02.2029	BB	77.28	4.75	XS1824424706	100 000

Source: Bloomberg

High Yield Bonds Yield Curve



Source: Bloomberg

“Contact your Broker for more information”

USD Bonds List

US Treasuries

ISSUER	CURRENCY	YIELD	MATURITY	RATING	PRICE	COUPON	ISIN	MIN PIECE
United States of America	USD	5.29	31.10.2024	NR	99.14	4.375	US91282CFQ96	100
United States of America	USD	4.92	15.11.2025	NR	99.21	4.5	US91282CFW64	100
United States of America	USD	4.70	15.11.2026	NR	92.48	2	US912828U246	100
United States of America	USD	4.63	31.10.2027	NR	98.20	4.125	US91282CFU09	100
United States of America	USD	4.60	15.11.2028	NR	93.44	3.125	US9128285M81	100
United States of America	USD	4.62	31.10.2029	NR	96.78	4	US91282CFT36	100
United States of America	USD	4.61	15.11.2032	NR	96.47	4.125	US91282CFV81	100
United States of America	USD	4.75	15.11.2052	NR	88.23	4	US912810TL26	100

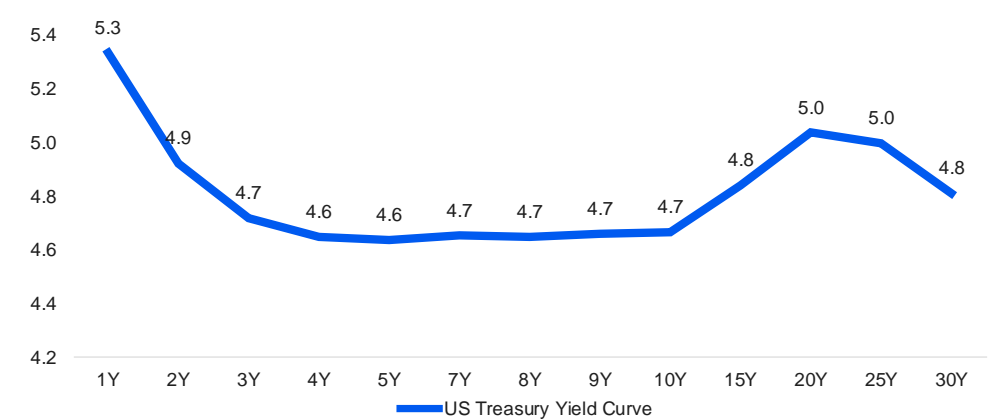
Source: Bloomberg

Investment Grade

ISSUER	CURRENCY	YIELD	MATURITY	RATING	PRICE	COUPON	ISIN	MIN PIECE
Apple Inc	USD	5.34	11.09.2024	AA+	97.12	1.8	US037833DM97	2 000
Bharat Petroleum Corp Ltd	USD	5.87	08.05.2025	BBB-	97.32	4	XS1227064430	200 000
Toyota Motor Corp	USD	5.36	30.06.2025	A+	97.79	3.95	US89236TKC89	2 000
Republic of Peru	USD	5.45	21.07.2025	BBB	102.73	7.35	US715638AS19	100 000
Boeing Co/The	USD	5.85	04.02.2026	BBB-	92.40	2.196	US097023DG73	2 000
Republic of the Philippines	USD	5.11	30.03.2026	BBB	100.58	5.5	US718286BN61	200 000
Asian Development Bank	USD	4.77	20.01.2027	AAA	90.37	1.5	US045167FH18	1 000
Coca-Cola Co/The	USD	4.87	25.03.2027	A+	95.30	3.375	US191216CR95	2 000
Starbucks Corp	USD	5.27	15.11.2028	BBB+	94.41	4	US855244AR02	2 000
Republic of Indonesia	USD	5.39	14.02.2030	BBB	86.38	2.85	US455780CQ75	200 000
Oracle Corp	USD	5.80	25.03.2031	BBB	82.55	2.875	US68389XCE31	2 000
Merck & Co Inc	USD	5.32	10.12.2031	A+	79.29	2.15	US58933YBE41	2 000
Advanced Micro Devices Inc	USD	5.36	01.06.2032	A-	90.06	3.924	US007903BF39	2 000
United Mexican States	USD	6.44	27.09.2034	BBB-	101.89	6.75	US91086QAS75	1 000
Vale SA	USD	6.74	21.11.2036	BBB-	100.96	6.875	US91911TAH68	2 000
Vale SA	USD	6.55	11.09.2042	BBB-	89.76	5.625	US91912EAA38	2 000
Republic of Chile	USD	6.13	30.10.2042	A-	71.64	3.625	US168863BP27	150 000

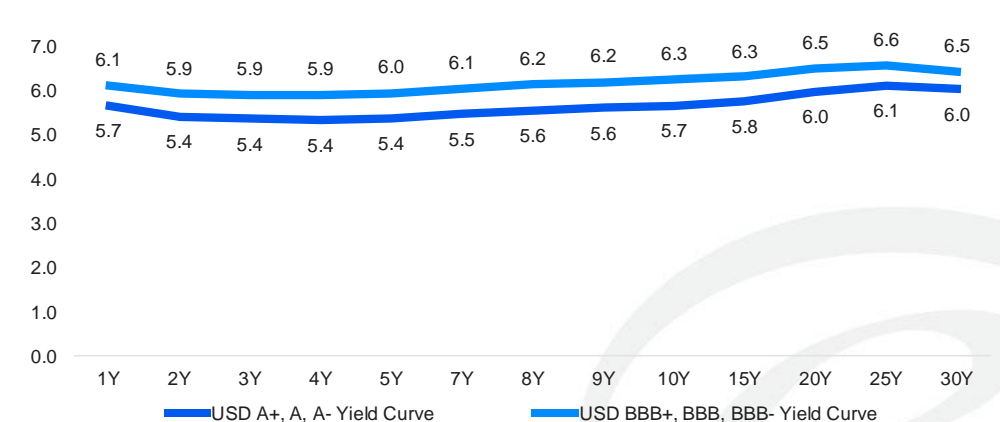
Source: Bloomberg

US Treasuries Yield Curve



Source: Bloomberg

Investment Grade Bonds Yield Curve



Source: Bloomberg

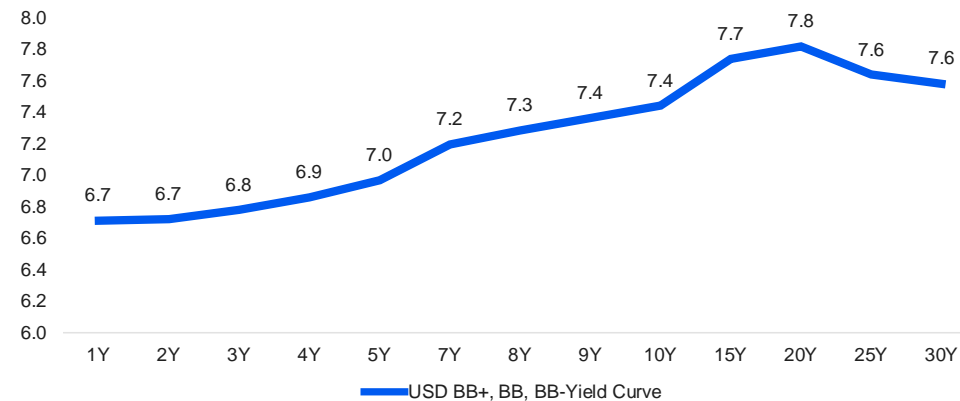
USD Bonds List

High Yield

ISSUER	CURRENCY	YIELD	MATURITY	RATING	PRICE	COUPON	ISIN	MIN PIECE
Stena AB	USD	6.94	01.02.2024	BB-	99.90	7	USW8758PAK22	200 000
Republic of Uzbekistan	USD	5.28	20.02.2024	BB-	99.58	4.75	XS1953916290	200 000
Government of Mongolia	USD	5.54	09.03.2024	B	100.69	8.75	USY6142NAA64	200 000
Socialist Republic of Vietnam	USD	6.07	19.11.2024	BB	98.52	4.8	USY9384RAA87	200 000
Federative Republic of Brazil	USD	5.63	07.01.2025	BB-	98.17	4.25	US105756BV13	200 000
Republic of Armenia	USD	5.61	26.03.2025	BB-	101.51	7.15	XS1207654853	200 000
Republic of Costa Rica	USD	5.79	30.04.2025	B+	97.63	4.375	USP3699PGE18	200 000
Istanbul Metropolitan Municipality	USD	8.90	09.12.2025	B-	94.70	6.375	XS2010029234	200 000
Marfrig Global Foods SA	USD	6.97	14.05.2026	BB+	99.50	7	USU63768AA01	200 000
Ecopetrol SA	USD	6.85	26.06.2026	BB+	96.29	5.375	US279158AL39	1 000
Sibanye Stillwater Ltd	USD	8.57	16.11.2026	BB	87.95	4	USU85969AE07	200 000
Sultanate of Oman	USD	5.91	08.03.2027	BB	98.06	5.375	XS1575967218	200 000
Republic of Türkiye/The	USD	7.47	25.03.2027	B-	95.24	6	US900123CL22	200 000
Republic of Colombia	USD	6.29	25.04.2027	BB+	92.25	3.875	US195325DL65	200 000
Anadolu Efes Biracilik Ve Malt	USD	7.87	29.06.2028	BB+	81.76	3.375	XS2355105292	200 000
Eskom Holdings SOC Ltd	USD	8.08	10.08.2028	BB-	92.83	6.35	XS1864523300	200 000
Republic of South Africa	USD	7.23	12.10.2028	BB-	87.76	4.3	US836205AU87	200 000
Anadolu Efes Biracilik Ve Malt	USD	7.26	20.01.2029	BBB-	88.02	4.5	XS2434515313	200 000
Republic of Uzbekistan	USD	7.52	20.02.2029	BB-	90.42	5.375	XS1953915136	200 000
Republic of Armenia	USD	7.65	26.09.2029	BB-	82.24	3.95	XS2010043904	200 000
Republic of Türkiye/The	USD	8.11	15.01.2030	B-	117.41	11.875	US900123AL40	1 000
State Oil Co of the Azerbaijan	USD	7.32	18.03.2030	BB	98.15	6.95	XS1196496688	200 000
Marfrig Global Foods SA	USD	8.60	29.01.2031	BB+	75.15	3.95	USG5825AAC65	200 000
Republic of Türkiye/The	USD	8.75	17.03.2036	B-	85.67	6.875	US900123AY60	2 000
Federative Republic of Brazil	USD	7.04	20.01.2037	BB-	100.28	7.125	US105756BK57	1 000
Federative Republic of Brazil	USD	7.44	27.01.2045	BB-	73.63	5	US105756BW95	200 000
Sultanate of Oman	USD	7.20	08.03.2047	BB	91.73	6.5	XS1575968026	200 000

Source: Bloomberg

High Yield Bonds Yield Curve



Source: Bloomberg

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Disclaimer:

Report date: November 8, 2023

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