

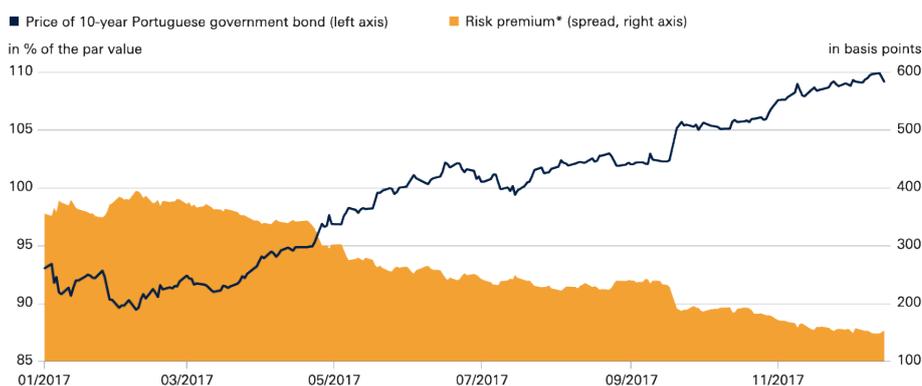


## Chart of the week

### Portuguese government bonds delivered equity-like returns in 2017

We have highlighted Portugal several times this year as an example of a country which managed to overcome a serious crisis by applying a combination of structural reforms and fiscal austerity (see for example the Chart of the Week published on [9/22/17](#) or on [11/17/17](#)). Admittedly, external support played a role, too, notably via assistance from European rescue mechanisms or President Draghi's famous "whatever it takes" speech. But we would not want to underestimate the country's own efforts, which are clearly bearing fruit today.

As the Portuguese economic recovery progressed, debt sustainability concerns receded. Rating agencies took note. Standard & Poor's was the first prominent rating agency to upgrade Portugal back to "BBB-" in September. Markets are now expecting other rating agencies to follow suit soon. This led to a substantial decline in risk premia versus German sovereign bonds, as our Chart of the week shows. Prices of Portuguese government bonds rose. Taking 2026 maturities as an example, the resulting price gain was 18% in 2017. Adding coupon payments to the calculation, the performance amounted to more than 20%. Not bad for a fixed-income investment, as Holger Kindsgrab, Co-Head Rates at Deutsche Asset Management, notes.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH as of 12/13/17  
\* vs. German government bonds; 2026 maturity

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## Glossary

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