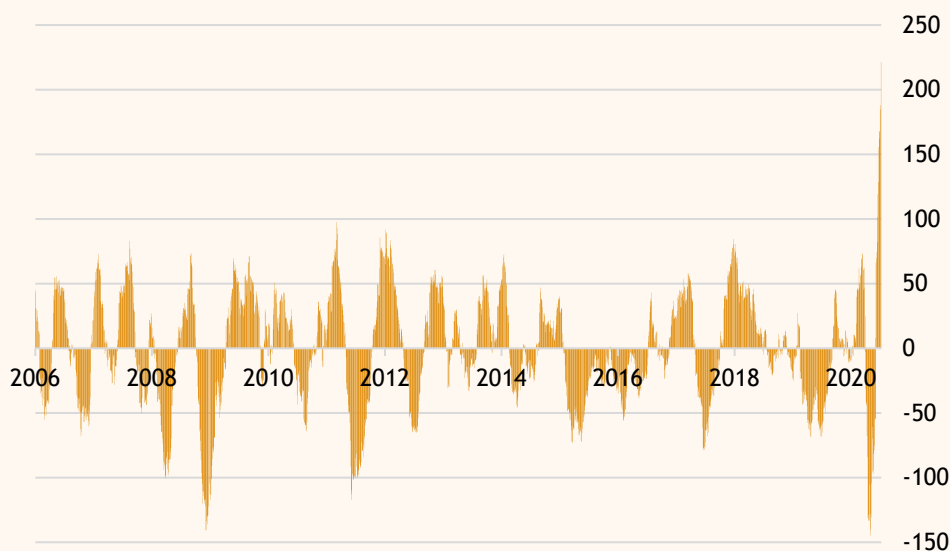


### Key Economic Figures/Events of the Week

- The overall picture has not changed much from previous weeks. Two themes are evolving at the moment: the rise in the number of infections and global economy's continued recovery. The mood as we enter the August holiday season will be set by the upcoming 2Q20 earnings reports which are kicking off next week. Huge uncertainty which reigned in March has left companies unable to make any reliable earnings forecasts a quarter ago. This time, as the picture gets relatively clearer, new estimates of Covid-19's possible effect on corporates are likely to cause some nervousness among investors.
- The services sector has surprised with a much better-than-expected figure. And considerable deviations from the economists' forecasts have not been a rare happening since the lockdown restrictions have been eased in May. Citi Index of Economic Surprise surged to the highest recorded level recently. This is not surprising, considering the record-low levels from which data has bounced back and the uniqueness of the situation, where economists have suddenly found themselves with outdated measurement tools. All the same, the economy is clearly on the right track, but the rebound from now on will be much duller and will not be viable without further monetary and fiscal support.

### All-time Surprise

(Citi economic surprise index shows U.S. economic data stronger than analyst expectations)



Source: Citi, Bloomberg

- One of the most watched data these days is the US weekly new jobless claims report. Initial jobless claims for the week ending 04 July were reported to be 1.31 million, better than the 1.37 million expected, but the labor market is still very weak.
- This week, US Treasury has held an auction of new 30-year bonds which has been met with a strong demand. The demand for safe heavens will remain high as long as uncertainties regarding Covid-19 keep worrying investors, which is counteracting the upward pressure on long-term yields due to a possible increase of new offers. Therefore, we do not expect long-term yields to go considerably higher, even though some steeping of the yield curve may occur.

### Weekly Investment Insights

- Latin American countries are benefiting from a recovery in commodity prices amid an increase in economic activity worldwide. On the other hand, these countries are currently dealing with production disruptions due to a surge in infections among their employees. We consider decreasing the weight of Latin America in our portfolios by fixing profits on some issues where we see risks which have not yet been priced in.
- Not everyone gets downgraded in these difficult times. Turkish Coca Cola Icecek has been recently upgraded to investment-grade status (BBB-) by credit rating agency Fitch. We have been positive about the prospects of Coca Cola Icecek and have increased our position in the company's bonds maturing in 2024 back in March.

### Strategy

The primary markets have been rather busy this week in the anticipation of August holiday season, which usually brings primary markets to a stall. We have participated in the primary offer of the Colombian oil pipeline operator Oleoducto Central (BBB-/Baa3) but have not received an allocation due to our limit set at 4.24%. The deal has been issued with a yield 4.125%, lower than the initial guidance of 4.5%-4.75%, due to a sustained high demand for EM IG companies. We have received an allocation in the US online travel services provider Expedia (BBB-/BBB+). Like all travel industry players, the company has been affected by the collapse in travel demand. However, local travel is recuperating and the company has a good credit profile to withstand the current crisis. The new bond has been issued at 4.6% yield-to-maturity.

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**We hope you will find this information useful and we will be glad to answer your questions**

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