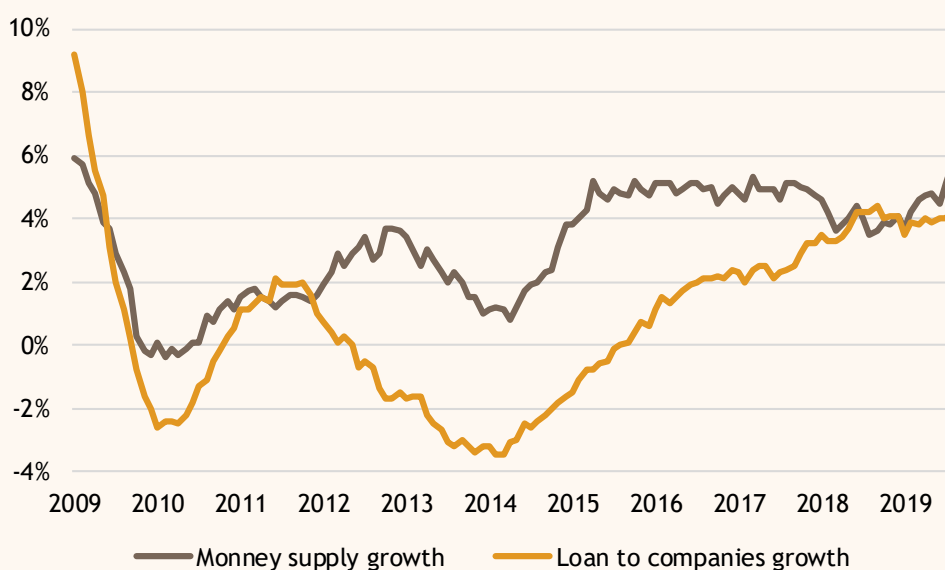


Key Economic Figures/Events of the Week

- During the week, markets were transfixed on the impeachment inquiry into US President Donald Trump launched by House Speaker Nancy Pelosi. Officially, the pretext for the inquiry was President Trump's call to Ukrainian President Volodymyr Zelensky to urge his Ukrainian counterpart to open investigation into Joe Biden, Trump's key rival in the upcoming 2020 elections, and his son. Most of the analysts agree that as of yet, the case for the impeachment is not strong enough. However, as the run-up to the 2020 elections reaches its crucial stages, financial markets are set to see some heightened volatility.
- Economic data coming out of the Eurozone provide mixed signals: the manufacturing PMI fell to 45.6 in September from 47 in August, signalling that activity in the sector dropped to a seven-year low. Nevertheless, the data published on Thursday (September 26) by the ECB showed, surprisingly, record-high growth rates of money supply in the economy since 2009 and an increase in lending to companies.

Growth of money supply and loans to companies in Eurozone



Source: ECB, Bloomberg

- Economists warn that with no fiscal measures put in place, the Eurozone will be going down the same path as Japan. Nevertheless, countries of Northern Europe, including Germany, refuse to accept that the action is needed. Meanwhile data on the German economy points at a slowdown in manufacturing. A somewhat sluggish trading activity is already spilling over to services, one of the most resilient sectors due to its stronger dependence on consumer sentiment. For Euro-denominated bonds, the current environment remains artificially supportive until the regulator's monetary policy easing is enough to weather the recession, adjusted for an increase in bankruptcies. Against this backdrop, any above-zero yield on bonds in Euro is an excellent performance, with the default risk still key.
- In the US, the PMI report saw some improvement as the manufacturing PMI picked up from 50.7 in August to 51 in September. However, consumer confidence dwindled on the back of yet another escalation in the US and China trade war.
- News on negotiations between the two nations remain mixed and continue rattling the markets. We believe that chances for a full-fledged deal are running low as we are nearing the US presidential election on 3 November 2020 and President Trump may well postpone the matter to his next term in office. If this is the case, the uncertainty overhang will persist, working to dampen optimism in financial markets.

Weekly Investment Insights

- The IMF revised upwards its growth forecast for Turkey from -2.5% to 0.5% for 2019, citing adequate capitalisation and moderate NPLs at domestic banks. Still, the IMF describes the easing cycle as too aggressive, with the private sector's FX needs remaining high. The fund is looking forward to Turkey's New Economic Programme, which is expected to outline a comprehensive set of policies to achieve sustainable growth over the medium term. We are optimistic about prospects for corporate names in our bond portfolios. Turkey has been one of our main investment ideas this year, with an average share in our portfolio at 10%.

Strategy

This week, we invested in a number of primary offerings. Brazil's meatpacker BRF (BB) placed 10-year bonds after completing a repurchase of its notes with shorter maturities. We like the company and hold its bonds, although this issue, as well as the 30-year issue of the Abu Dhabi National Energy Company (A3/A), a government-controlled oil company, in which we also participated, were placed below our yield limits. South Africa (BB+) hit the market with two new issues of 10- and 30-year bonds for a total of USD 5 bn. We invested in the 10-year bond with a yield to maturity of 4.85%. We also took part in a 7-year euro denominated bond issue by Mexican financial company Credito Real (BB+), which was placed at 5.2% yield.

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

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