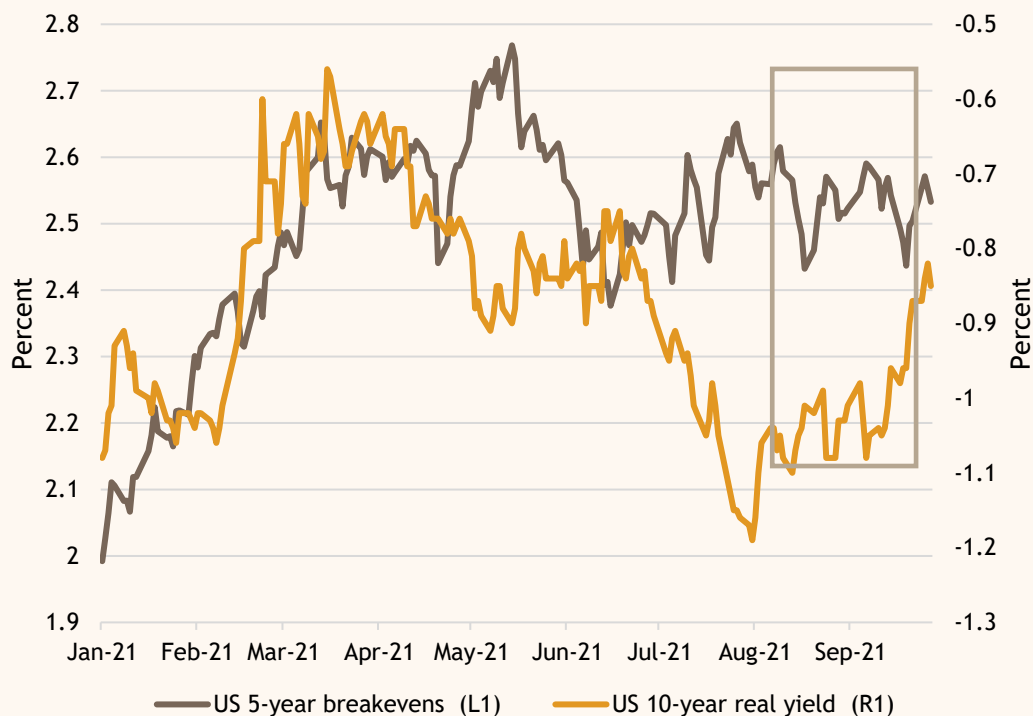


Key Economic Figures/Events of the Week

- There are quite a few disturbing factors at the moment. Inflation worries have resurfaced, the US public debt ceiling saga is continuing to unnerve, and the unfolding of China’s Evergrande debt crisis are keeping markets on their toes.
- Inflation concerns has been capturing headlines recently, after it stayed in the background for some time. It is proving stickier, as companies of various industries are raising flags amid stubbornly persistent supply chains disruptions. Governments started to intervene to relieve the turmoil, so that things don’t turn nasty.
- US 10-year Treasury yield has jumped by 15 basis points over the last two weeks, reaching 1.48% as of Thursday close (30/09), which is however still lower than this year’s high of 1.74%. While there are chances that the move may reverse if growth slows down more than expected, we assign a much higher probability they will be staying at this level or go higher till the end of the year. The rise in nominal yields was driven by real yields rather than a change in inflation expectations, which is more likely a reflection of a brighter economic outlook as perceived by the markets, as Covid-19 impact on economic activity is fading away. While credit spreads have been resilient so far, they may start widening by the end of the year given the expected spike in volatility. A key driver for spreads will be the quarterly earnings reports soon to be published.

Climb in nominal yields driven by real yields’ movement



Source: Bloomberg

Weekly Investment Insights

- Coca-Cola Icecek (BBB-/B2), one of our favourite Turkish corporate issuers, has acquired a 57.1% stake in Coca-Cola Bottlers, largest soft-drink producer in Uzbekistan, for US\$ 252 million. The transaction is immaterial for the company's leverage and provides market diversification. We continue to hold Coca-Cola Icecek USD-denominated bonds maturing 2024.

Strategy

Since unknowns regarding the US debt ceiling, inflation pressures and China indebtedness will not clear out soon, we believe the next months will be prone to increased volatility on the markets. The move in Treasuries may continue its upward path should the supply bottlenecks persist longer than expected or, can turn in the opposite direction if growth sees a significant slowdown. We do not increase duration at current benchmark yield level, but we are eyeing some long-duration issues we like, which are close to our price targets.

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

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