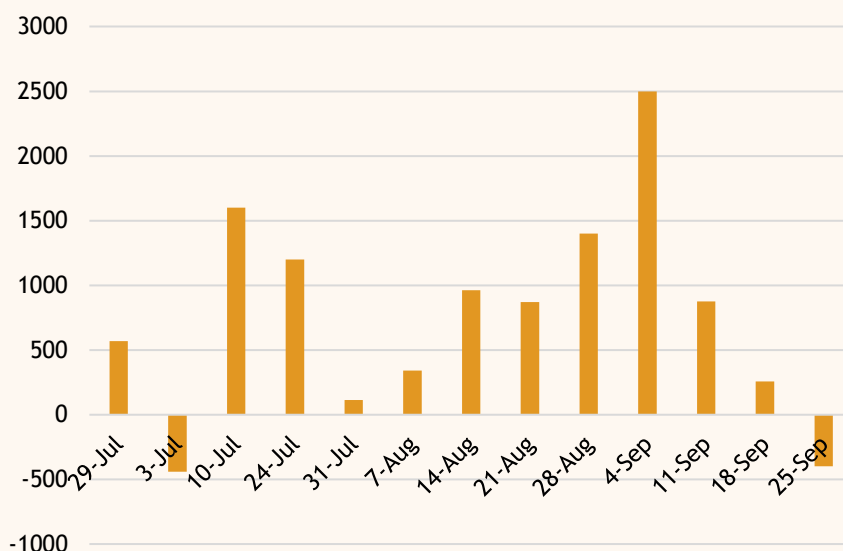


Key Economic Figures/Events of the Week

- We had another week of volatility on stock markets, which had a moderate spillover to the fixed income space, predominantly in the high yield segment. The worries were further amplified by a resurgence in Covid-19 new cases in Europe. Emerging markets hard currency funds saw first week of outflows since the beginning of July and credit spreads widened marginally across the bond universe.

First week of outflows from EM hard currency funds (in USD million)



Source: JP Morgan

- Federal Reserve Chair Jerome Powell along with several other Fed officials has expressed concerns this week regarding the US economic recovery and reiterated the need for the government to step in with more fiscal support. Indeed, with the monetary scope reaching its limit, the economic recovery in the near-term will be dependent on the fiscal support measures not only in the US, but everywhere else around the world. This is what will drive the divergence among countries going forward.
- After few months of better-than-expected economic data, which supported improved sentiment among investors, we start seeing indicators coming lower than forecasts. That is pointing to the fact that the recovery is becoming sluggish. In the US, the weekly jobless claims came in at 870'000, higher than the forecasted 840'000. In Europe, the composite PMI index dropped unexpectedly from 51.9 to 50.1 points in September, due to a weakening in the service sector. We believe autumn data could be even worse due to the second wave of infections.
- US President Donald Trump this week has announced he will refuse a peaceful transition of power, should he loose the 3 November elections. Among the worst possible outcomes of the voting, the worst scenario for the markets may be a highly contested result which will prolong the uncertainty.

Weekly Investment Insights

- To everyone's surprise, Turkey's central bank has raised its benchmark interest rate 200 bps to 10.25% at its last policy meeting on Thursday (24/09). President Erdogan has been a ferocious opponent of hiking rates, and the Central Bank has acted according to his wish until now, providing rate cuts amounting 15.75 percentage points starting end of 2018. The move is supportive for the lira and has managed to provide some relief for the investors in Turkish assets but is not enough to significantly improve the situation. The crucial issue is whether

the country could curb current account deficit and stop depleting on the foreign currency reserves which have decreased by almost 2 times YTD.

Strategy

We have participated in the new debt offering of the Norwegian oil and gas company Aker (BBB-/Ba1), for accounts for which we had extra cash to invest. The company has a strong credit profile, with a net-debt-to-Ebitda of 2.9x, and it has kept its near-term growth targets intact despite the oil-price collapse this year. The bonds maturing in 2030 were issued at a price of 99.371 the yield-to-maturity being 4.1% .

We keep leverage at around 15-20% for the leveraged strategy and prefer to keep minimum cash (5-8%) for non-leveraged strategy as short duration and good credit quality of portfolios should decrease the impact in case the correction takes bigger scope. Should the prices drop 5%-10% more, we'll start to make selective buys. Until then we keep collecting coupons and monitor the markets.

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

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