

kids (and parents) are impressed with our efforts when the kids are old enough to remember. Extravagance at this age seems like you're peaking too early and is a bit wasted!!!

It doesn't feel like this week has reached its peak yet. This week has been, and still is, all about (arguably) the **three most powerful women in the world.** Yellen was certainly on the hawkish side on Wednesday and now we have a big Mrs May speech on Brexit today ahead of Mrs Merkel's re-election vote on Sunday.

EMERGING MARKETS DEBT STRATEGY - Turkey Trip Notes: In search of non-decelerating growth rate of stimulus

[Drausio Giacomelli & Team]

Turkey Trip Notes: In search of non-decelerating growth rate of stimulus

We spent two days earlier in the week in Ankara and Istanbul, meeting with the Central Bank of Turkey (CBT), the Ministers in charge of economy management, politicians, local banks, economists, political analysts, and international organizations. We returned with three key take-aways: Sustaining a competitive economic (5%) and employment growth rate is the top priority for authorities; CBT now defines its 'forward guidance' as 'tight for longer'; and Targeted macro backdrop and the underlying policy mix, with less focus on quality of growth hint that the authorities are already in the election mood.

We believe the authorities are wary of consequences of overly stimulating economy via fiscal and credit impulse given adverse side effects in terms of upward pressure on bond yields due to excessive roll-over rates, overly leveraged banking system in TRY terms as well as high and sticky inflation. Such demand boost, by nature, is also not sustainable for long. This is why probably policymakers are inclined to shift to a decelerating (or non-accelerating) rate of impulse creation in the coming period. Finding the optimal path for stimulus is however a tricky task. High-interest-rate environment in Turkey is likely to stay with us for some time due to structural and cyclical factors currently at play.

Russia in pictures: Steady as she goes

Russian economy beat market expectations to grow by 2.5% YoY in Q2, the highest growth in 14-quarters as compared to 0.5% YoY in the previous quarter. August data shows Russia is doing fairly well, but it is too early to call that 2Q performance can extend into 3Q. Inflation surprised on the downside in August; likely to continue to decelerate. The CBR decided to cut the key policy rate by 50bps to take rate to 8.50% in September. The Finance Ministry approved federal draft budget for 2018-2020 that should be welcomed by investors.

CORPORATE CREDIT - DB Agarwal - EM Chartbook - Regional strategy and Picks & Pans

We turned neutral on EM corporate credit in our last chartpack on June 21, a bit too early on hindsight. Our view was driven mainly by valuation. To be clear, we were not negative and thought spreads would be range bound, making credit largely a carry play. However, since then, spreads are ~20bp tighter, with higher beta components such as HY (vs. IG) and Latam outperforming - Figure 1. This was mainly on account of positive EM growth, a low rates environment, weaker dollar, stabilising China macro, higher commodities, etc. Markets shrugged off political noises in many parts of EM and heavy supply was quite well absorbed. With 3 months to go for the year, we don't have much incentive to turn constructive again, instead opting to stay in the neutral/carry camp. Again, we are not negative and not calling for a material widening in spreads. As fundamentals stay supportive and technical backdrop is strong, spreads could remain tight. A key driver for EM will obviously be rates. Lower for longer is now a consensus view (and we are in this camp), hence the risk is perhaps to the downside.

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BRAZIL

BRAZIL UPDATE - DB Faria - Inflation Report reinforces benign inflation scenario

Highlights: Inflation Report suggests further easing and long period with low interest rates

The IPCA-15 rose 0.11% in September, in line with our forecast of 0.10%

Job creation was slower than expected in August

Inflation Report reinforces benign inflation scenario: The BCB published its quarterly Inflation Report, extending the forecasting period by five quarters up to the fourth quarter of 2020. The Report's passive inflation forecasts assumed a SELIC overnight interest rate at 7.0% at the end of 2017 and 2018 and 8.0% at the end of 2019 and 2020. This scenario included FX at BRL3.20/ USD for end-2017, BRL3.30/USD for end-2018, BRL3.40/USD for end-2019 and BRL3.45/USD for end-2020. In this scenario, the passive IPCA forecast fell to 3.2% from 3.8% for 2017 and to 4.3% from 4.5% for 2018. The passive IPCA forecast for 2019 and 2020 were 4.2% and 4.1%, respectively. We note that the inflation targets for the