

## Key Economic Figures/Events of the Week

- The data released this week suggests that the US economy remains strong while price growth continues to remain elevated. The preliminary US Composite Purchasing Managers Index for the month of May came in at 54.5 index points, significantly better than the expected 53 index points. Initial weekly jobless claims came in at 229'000, also significantly better than the expected 245'000. The growth in the personal consumer expenditure index [PCE] over the month of April came in at 0.4% MoM and 4.4% YoY, with both numbers coming in higher than expected by 10 basis points. Growth in core PCE, or PCE excluding food and energy, over the same period of April, came in at 0.4% MoM and 4.7% YoY, with both numbers similarly coming in higher than expected by 10 basis points. Durable goods grew by 1.1% over April, significantly better than the expected -1%. Retail inventories grew by 0.2% over April, in line with expectation. Wholesale inventories, on the other hand, grew by -0.2%, worse than the expected 0%.
- This week witnessed mostly hawkish comments from officials of the US Federal Reserve [FED]. President of Minneapolis FED Neel Kashkari mentioned this week that if inflation continues to remain high, the FED will have to keep rates higher for longer, which will exacerbate the pressure already felt by banks. FED governor Christopher Waller stated that he does not “support stopping rate hikes” until inflation starts moving down towards the 2% target. President of Atlanta FED Raphael Bostic mentioned that he does not look for any rate cuts “well into 2024”, but nonetheless considers it important for the FED remain “flexible” in the next meeting. President of San Francisco FED Mary Dale, perhaps the only official with a dovish tone to comment this week, cautioned that the already tighter credit conditions from several bank failures is equivalent to a “couple of rate hikes”. Derivative markets are currently pricing in an additional rate hike at the next FED meeting in June.

## US Treasury Running out of Cash



Source: Bloomberg

- Markets continue to be on edge as the US Treasury runs out of cash due to the government's inability to agree on raising the debt ceiling. Failure to raise the debt ceiling could result in the US defaulting on its debt as early as the 1<sup>st</sup> of June.

## Weekly Investment Insights

- The Turkish election is expected to move into the second round on the 28<sup>th</sup> of May, with the remaining two candidates: Recep Tayyip Erdoğan, the incumbent president, and his main contestant, Kemal Kılıçdaroğlu. The first round saw no candidates receive a major vote, leaving a runoff between the top two finishers. The most recent polls suggest a clear win for Erdoğan in the second round. We continue to monitor the election closely as we maintain significant exposure to Turkish bonds.

## Strategy

We intend to keep our focus on decreasing the leverage on the Fund through selling bonds with limited price upside. Parallely, we continue working on the sale of Russian bonds, however this process takes a lot of time as liquidity remains low, and we strive to find the end buyers ourselves in order to minimize expenses on intermediaries.

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