

Fixed Income Desk

Your daily feed from the Fixed Income team



**What's on my mind?**

*The rift between RBI and the Government from October to yesterday's surprise resignation is worrisome. We always sponsored that monetary policy setting needs to maintain and enjoy full independence and steer away from politics or political pressures. The selloff we witnessed is distorted to see the ramifications as the electoral vote count takes center stage. I feel the timing of such events is the bigger catalyst that unfolded as Prime Minister Modi had just appointed a new chief economic adviser and a day before key election results, dubbed as the semifinal before Modi's re-election bid next year. Pm Modi is already under pressure for the rupee's weakness this year, job losses and the looming bad-loans (approx. \$210bn) that the government grapples with. For now, we as bond investors would drift our attention to RBI's inflation outlook report due tomorrow. We anticipate that inflation prints should come in softer given where oil prices are along with subdued food prices. To reiterate, real yields on the short end of the curve are appealing, and any weakening of bond yields is a definite opportunity not to be missed. Last but not the least, the one and two year swaps points are higher than the five-year swaps! I remain amazed.*

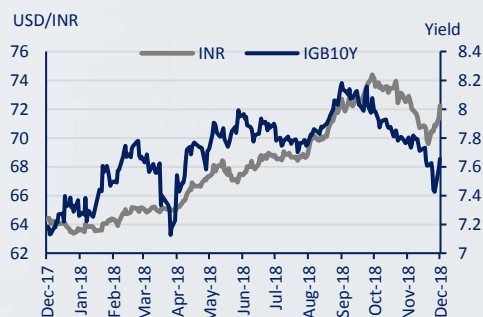
Asian risk assets once again under pressure led by India's major indices taking the brunt from RBI Governor Urjit Patel's resignation as well as from the voting count. US Treasuries are faring well at 2.85 percent while UK Gilts rallied to 1.19 percent. The sterling stayed lower after a slump in the wake of U.K. Prime Minister Theresa May delaying a critical vote on Brexit. In India, investor derisking continued on the back of the exit of the central bank Governor Urjit Patel, and as early trends showed the ruling Bharatiya Janata Party may face electoral losses in key states. INR weakened to 72.21 while the benchmark Indian Government bond yields rose to 7.70% and have retraced part of the losses to settle at 7.64 percent.

UK PM Theresa May's decision to postpone the Parliamentary vote on her Brexit deal to the new year saw GBP fall to a 20-month low to the dollar at 1.2507. May's decision in some ways was inevitable given the probability that she would have suffered a large loss, but it also carries risks as it will weaken her position even further especially as it seems unlikely that she will be able to secure a meaningful re-negotiation of the deal. Indeed she only appears to be seeking to discuss 'further reassurances' with the EU over the Irish border backstop, the most contentious part of the overall agreement. Pushing the vote closer to the 29th March deadline for Brexit may serve to focus minds on the possibility of no-deal, but it also plays into the hands of her opponents calling for article 50 to be withdrawn and/or for another referendum to take place. The European Court of Justice has also ruled that the UK has the right to reverse its so called article 50 notice any time before it is due to leave the bloc on March 29th. Source: Emirates NBD Research

On the slope of the US yield curve: The spread between 3 and 5 year Treasury yields fell below zero for the first time since 2007, and the 2 to 5 year gap soon followed. While the 2 to 10 year part of the curve is more closely watched as a potential signal of pending recessions, the inversions may indicate the market is anticipating the Federal Reserve's tightening cycle could be approaching an end.

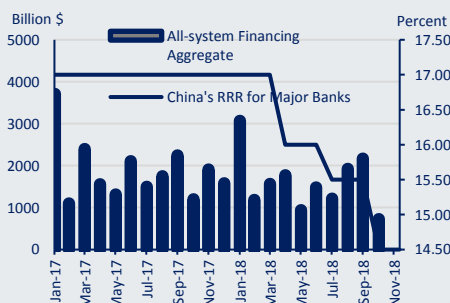
Tesla Inc. plans to offer \$837 million of bonds backed by auto leases in its second trip to the market for asset-backed securities this year. Tesla's 5.3% 2025 bond of \$1.8bn back in August 2017 is trading at a deep discount of circa \$87 cents which translates to an indicative yield of 7.83 percent.

**Pain on India perhaps an opportunity on the bond markets**



Source: Bloomberg

**Weak Chinese credit growth? Don't underestimate PBOC's tools**



Source: Bloomberg

**50% of MSCI World are down 20% or more- Our underweight positioning on HY debt, and closely watched measure**



Source: Bloomberg

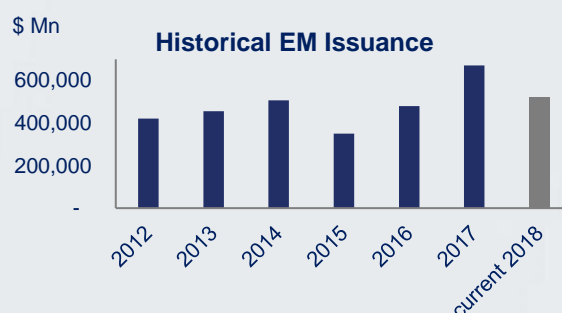
**Fixed Income Desk**

Interbank rates and Government bonds						
	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.77	2.89	3.10			
EURIBOR	-0.32	-0.25	-0.14			
EIBOR	2.92	3.19	3.52			
SAIBOR	2.87	3.05	3.29			
US Treasuries				2.73	2.71	2.86
Germany Bunds				-0.58	-0.28	0.25
UK Gilts				0.69	0.82	1.20
Mid Swaps (MS)			2.85	2.85	2.79	2.88

Credit Indices			
	Spread	Chg Day	Chg YTD
I Traxx Europe	87.78	0	95.82
I Traxx Europe Crossover	355.61	0	52.35
CDX North America IG	N/A	0	66.03
CDX North America HY	424.08	0	38.41
CDX Emerging Markets	207.79	0	74.07

Bond Market Performance				
BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.42%	-	0.2%	2.1%
GCC Credit	4.6%	190	0.1%	0.1%
Global High yield	7.08%	475	-0.2%	-0.9%
USD Emerging Market	6.12%	330	-0.1%	-3.1%
US Government	2.81%	-	0.0%	-0.3%
USD Corporate Investment Grade	4.31%	145	0.0%	-3.2%
BBG EUR Aggr Corp (Loc)	1.39%	135	0.1%	-1.4%
USD EM Sovereign	6.61%	374	-0.1%	-4.9%
USD EM Corporate	6.55%	377	0.0%	-2.6%
Local EM Sovereign	5.08%	56	-0.8%	-5.0%

Emerging Markets Primary Issuance		
	2017	current 2018 - mn
EM	\$671,784	\$523,474
ASIA	\$323,590	\$269,051
MENA	\$86,937	\$72,624
GCC	\$73,391	\$65,864
Sukuk	\$27,965	\$22,708



Desk View: Positioning & Strategy		
	Tactical	Strategic
Global Investment Grade	Overweight	Neutral
US High Yield	Underweight	Underweight
Emerging Markets	Overweight	Overweight
GCC Bond/Sukuk	Overweight	Overweight

Expected Primary Bond Sales	
N/A	N/A
NA	NA
NA	NA

Source: Bloomberg (Chart & Tables)

## Fixed Income Desk

Global Economic Calendar					
Date Time	Country	Event	Period	Survey	Prior
12/11/18 10:30	France	Total Payrolls	3Q	0.002	0.00
12/11/18 10:30	France	Private Sector Payrolls QoQ	3Q F	0.20%	0.20%
12/11/18 11:45	France	Wages QoQ	3Q F	0.30%	0.30%
12/11/18 12:30	United Kingdom	Bloomberg Dec. United Kingdom Economic Survey			
12/11/18 13:30	United Kingdom	Claimant Count Rate	Nov	--	0.027
12/11/18 13:30	United Kingdom	Jobless Claims Change	Nov	--	20.2k
12/11/18 13:30	United Kingdom	Average Weekly Earnings 3M/YoY	Oct	3.00%	3.00%
12/11/18 13:30	United Kingdom	Weekly Earnings ex Bonus 3M/YoY	Oct	3.20%	3.20%
12/11/18 13:30	United Kingdom	ILO Unemployment Rate 3Mths	Oct	4.10%	4.10%
12/11/18 13:30	United Kingdom	Employment Change 3M/3M	Oct	25k	23k
12/11/18 14:00	Germany	ZEW Survey Current Situation	Dec	55	58.2
12/11/18 14:00	Germany	ZEW Survey Expectations	Dec	-25	-24.1
12/11/18 14:00	Eurozone	ZEW Survey Expectations	Dec	--	-22
12/11/18 15:00	United States	NFIB Small Business Optimism	Nov	107	107.4
12/11/18 17:30	United States	PPI Final Demand MoM	Nov	0	0.006
12/11/18 17:30	United States	PPI Ex Food and Energy MoM	Nov	0.10%	0.50%
12/11/18 17:30	United States	PPI Ex Food, Energy, Trade MoM	Nov	0.20%	0.20%
12/11/18 17:30	United States	PPI Final Demand YoY	Nov	2.50%	2.90%
12/11/18 17:30	United States	PPI Ex Food and Energy YoY	Nov	2.50%	2.60%
12/11/18 17:30	United States	PPI Ex Food, Energy, Trade YoY	Nov	--	2.80%

Source: Bloomberg as of 11<sup>th</sup> December 2018

**Fixed Income Desk – Team Background**

	
<p><b>Syed Yahya Sultan</b>                  Head of Fixed Income Strategy                  CIO Office   Wealth Management</p>	<p><b>Muna Alawadhi</b>                  Fixed Income Analyst                  CIO Office   Wealth Management</p>
<p>Email: <a href="mailto:yahyas@emiratesnbd.com">yahyas@emiratesnbd.com</a>                  Telephone: +971 4 609 3724                  Mobile: +971 55 886 3947</p>	<p>Email: <a href="mailto:munasa@emiratesnbd.com">munasa@emiratesnbd.com</a>                  Telephone: +971 4 609 3511</p>

## Disclaimer

### Reliance

Emirates NBD Bank PJSC (“Emirates NBD”) uses reasonable efforts to obtain information from sources which it believes to be reliable, however, Emirates NBD makes no representation that the information or opinions contained in this publication are accurate, reliable or complete and should not be relied on as such or acted upon without further verification. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates NBD accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. Data/information provided herein are intended to serve for illustrative purposes and are not designed to initiate or conclude any transaction. In addition this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to the determination of whether a particular investment activity is advisable. This publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness provided thereto by unaffiliated third parties. Moreover, the provision of certain data/information in this publication is subject to the terms and conditions of other agreements to which Emirates NBD is a party. Anyone proposing to rely on or use the information contained in this publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts. Further, references to any financial instrument or investment product are not intended to imply that an actual trading market exists for such instrument or product. The information and opinions contained in Emirates NBD publications are provided for personal use and informational purposes only and are subject to change without notice. The material and information found in this publication are for general circulation only and have not been prepared with any regard to the objectives, financial situation and particular needs of any specific person, wherever situated

### Confidentiality

This publication is provided to you upon request on a confidential basis for informational purposes only and is not intended for trading purposes or to be passed on or disclosed to any other person and/or to any jurisdiction that would render the distribution illegal. The investor may not offer any part of this publication for sale or distribute it over any medium including but not limited to over-the-air television or radio broadcast, a computer network or hyperlink framing on the internet without the prior written consent of Emirates NBD or construct a database of any kind.

### Solicitation

None of the content in this publication constitutes a solicitation, offer, opinion, or recommendation by Emirates NBD to buy or sell any security, or to provide legal, tax, accounting, or investment advice or services regarding the profitability or suitability of any security or investment and further does not provide any fiduciary or financial advice.

### Third party

The security or investment described in this publication may not be eligible for sale or subscription to certain categories of investors. This publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. It is the responsibility of any person in possession of this publication to investigate and observe all applicable laws and regulations of the relevant jurisdiction. This publication may not be conveyed to or used by a third party without the express consent of Emirates NBD. The investor may not use the data in this publication in any way to improve the quality of any data sold or contributed to by the investor to any third party.

### Liability

Anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the this publication including, but not limited to, quotes and financial data; or (b) loss or damage arising from the use of this publication, including, but not limited to any investment decision occasioned thereby. Under no circumstances, including but not limited to negligence, shall Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries be liable to you for direct, indirect, incidental, consequential, special, punitive, or exemplary damages even if Emirates NBD has been advised specifically of the possibility of such damages, arising from the use of this publication, including but not limited to, loss of revenue, opportunity, or anticipated profits or lost business. This publication does not provide individually tailored investment advice and is prepared without regard to the individual financial circumstances and objectives of person who receive it. The appropriateness of an investment activity or strategy will depend on the person's individual circumstances and objectives and these activities may not be suitable for all persons. In addition, before entering into any transaction, the risks should be fully understood and a determination made as to whether a transaction is appropriate given the person's investment objectives, financial and operational resources, experiences and other relevant circumstances. The obligations relating to a particular transaction (and contractual relationship) including, without limitation, the nature and extent of their exposure to risk should be known as well as any regulatory requirements and restrictions applicable thereto.

### Forward looking

Past performance is not necessarily a guide to future performance and should not be seen as an indication of future performance of any investment activity. The information contained in this publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Certain matters in this publication about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute “forward-looking statements”. Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “seek”, “believe”, “will”, “may”, “should”, “would”, “could” or other words of similar meaning. Undue reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Estimates of future performance are based on assumptions that may not be realized.

## Disclaimer

### Risk

Data included in this publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk, and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records.

The use of this publication is at the sole risk of the investor and this publication and anything contained herein, is provided "as is" and "as available." Emirates NBD makes no warranty of any kind, express or implied, as to this publication, including, but not limited to, merchantability, non-infringement, title, or fitness for a particular purpose or use.

Investment in financial instruments involves risks and returns may vary. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, prices and other factors and there is the possibility that you may lose the principle amount invested. Before making an investment, investors should consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment.

In receiving this publication, the investor acknowledges it is fully aware that there are risks associated with investment activities. Moreover, the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in this publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with the investor.

### Intellectual property

This publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others.

All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between the investor and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, the investor may not copy or make any use of the content of this publication or any portion thereof. Except as specifically permitted in writing, the investor shall not use the intellectual property rights connected with this publication, or the names of any individual participant in, or contributor to, the content of this publication, or any variations or derivatives thereof, for any purpose.

This publication is intended solely for non-commercial use and benefit, and not for resale or other transfer or disposition to, or use by or for the benefit of, any other person or entity. By accepting this publication, the investor agrees not to use, transfer, distribute, copy, reproduce, publish, display, modify, create, or dispose of any information contained in this publication in any manner that could compete with the business interests of Emirates NBD. Furthermore, the investor may not use any of the trademarks, trade names, service marks, copyrights, or logos of Emirates NBD or its subsidiaries in any manner which creates the impression that such items belong to or are associated with the investor or, except as otherwise provided with Emirates NBD, prior written consent. The investor has no ownership rights in and to any of such items.

Emirates NBD is licensed and regulated by the UAE Central Bank.

### United Kingdom

This publication was prepared by Emirates NBD Bank PJSC in the United Arab Emirates. It has been issued and approved for distribution to clients by the London branch of Emirates NBD Bank PJSC which is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the UK. Some investments and services are not available to clients of the London Branch. Any services provided by Emirates NBD Bank PJSC outside the UK will not be regulated by the FCA and you will not receive all the protections afforded to retail customers under the FCA regime, such as the Financial Ombudsman Service and the Financial Services Compensation Scheme. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.

### Singapore

This publication was prepared by Emirates NBD Bank PJSC in the United Arab Emirates. It has been issued and approved for distribution to clients by the Singapore branch of Emirates NBD Bank PJSC which is licensed by the Monetary Authority of Singapore (MAS) and subject to applicable laws (including the Financial Advisers Act (FAA) and the Securities and Futures Act (SFA)). Any services provided by Emirates NBD Bank PJSC outside Singapore will not be regulated by the MAS or subject to the provisions of the FAA and/or SFA, and you will not receive all the protections afforded to retail customers under the FAA and/or SFA. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.

Please contact your Relationship Manager for further details or for clarification of the contents, where appropriate.

For contact information, please visit [www.emiratesnbd.com](http://www.emiratesnbd.com)