

Fixed Income Desk

Your daily feed from the Fixed Income team



What's on my mind?

The highly anticipated 80-minute speech by President Xi's have brought in disappointment to many investors globally as no mention on reform roadmap initiatives were brought to light. We think markets are fatigue going into the year-end and taking any news flow an excuse to de-risk. The sell-off on oil prices, the wait and see mode to scrutinize upon on every word J.Powell mentions are having a toll on the weaker sentiment and markets. I think I will take my Boss's narrative (in the last 48 hours) – Go enjoy the year-end and see you next year!

The surprise in the surge on oil inventories fueled the sell-off on oil prices to more than 7 percent stemming production figures out of US and Russia. The Energy Department reported that the United States was producing 11.6 million barrels of crude oil a day, nearly a million barrels more than a year ago. The department projects that shale-oil production will climb to record levels this month, and increase by 134,000 barrels a day in January.

The Federal Reserve started its last meeting of the year. We expect it to raise interest rates by 25bp today which should bring it to a cumulative 9th hike in three years. The follow-up comments by J.Powell would be closely watched as investor euphoria on rates has weighed substantially on financial markets this year.

The Kingdom of Saudi Arabia unveils 2019 budget. The Kingdom aims to boost spending by about 7 percent in 2019, despite a continuing budget deficit. Government spending is projected to rise to 1.106 trillion riyals (\$295 billion) next year, up from an actual 1.030 trillion riyals this year. The budget estimates a 9 percent annual increase in revenues to 975 billion riyals, mostly from oil. The deficit is forecast at 131 billion riyals for next year, a decline on 2018. The fiscal deficit is forecast to narrow to 4.1 per cent of GDP in 2019 from an estimated 5 per cent in 2018, at 131 billion riyals. The government plans to lower the fiscal deficit to reach 3.7 per cent of GDP in 2021 and balance the budget by 2023.

King Salman said the budget was the largest in the Kingdom's history, and one designed to achieve financial stability. "We are determined to go ahead with economic reform, achieving fiscal discipline, improving transparency and empowering the private sector," he said.

The Reserve Bank of India will buy more government bonds than earlier planned as it looks to address the financial sector's liquidity crunch. The central bank will now conduct two open market operation purchases of Rs 15,000 crore each in December, scaling up its total liquidity injection to Rs 50,000 crore for the month, it said in a media statement today. It had earlier planned to purchase Rs 40,000 crore worth of government bonds during the month.

Fitch downgraded Oman's Sovereign rating to BB+ from BBB- citing fiscal challenges to the oil producer from volatile crude prices, leaving only Moody's Investors Service to rate it as an investment grade credit.

The shares of SoftBank Group Corp.'s Japanese telecom business fell at the start of trading after Masayoshi Son raised 2.65 trillion yen (\$23.6 billion) in an IPO. SoftBank Corp., the new entity trading, declined 9.3 percent to 1,360 yen at midday in Tokyo today. Of the investors who bought the stock at the offering price of 1,500 yen, 90 percent were individuals and the rest were funds and money managers.

Chinese & Japanese Holdings of US Treasury



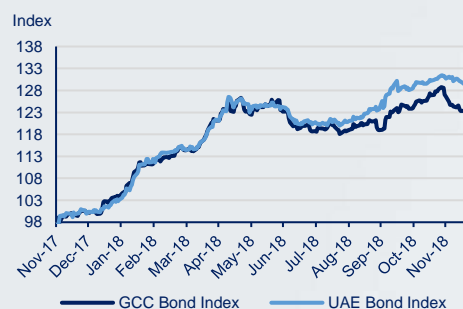
Source: Bloomberg

India's yields and currency well supported fueled by lower oil prices



Source: Bloomberg

UAE bonds outperforms GCC index



Source: Bloomberg

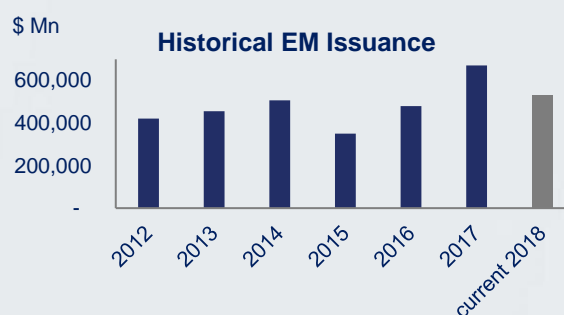
Fixed Income Desk

Interbank rates and Government bonds						
	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.80	2.90	3.10			
EURIBOR	-0.31	-0.24	-0.13			
EIBOR	2.90	3.10	3.52			
SAIBOR	2.90	3.08	3.32			
US Treasuries				2.64	2.64	2.80
Germany Bunds				-0.61	-0.29	0.24
UK Gilts				0.74	0.90	1.28
Mid Swaps (MS)			2.80	2.78	2.72	2.82

Credit Indices			
	Spread	Chg Day	Chg YTD
I Traxx Europe	82.40	0	83.81
I Traxx Europe Crossover	342.62	0	46.79
CDX North America IG	NA	0	66.71
CDX North America HY	428.83	0	39.95
CDX Emerging Markets	199.51	0	67.13

Bond Market Performance				
BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.39%	-	0.1%	2.3%
GCC Credit	4.6%	194	-0.1%	0.4%
Global High yield	7.11%	484	-0.3%	-0.9%
USD Emerging Market	6.05%	328	0.0%	-2.5%
US Government	2.75%	-	0.2%	0.1%
USD Corporate Investment Grade	4.22%	142	0.2%	-2.5%
BBG EUR Aggr Corp (Loc)	1.36%	131	0.0%	-1.3%
USD EM Sovereign	6.55%	373	0.0%	-4.2%
USD EM Corporate	6.46%	375	0.1%	-2.1%
Local EM Sovereign	5.05%	57	0.3%	-4.6%

Emerging Markets Primary Issuance		
	2017	current 2018 - mn
EM	\$671,784	\$531,501
ASIA	\$323,590	\$277,078
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
12/19/18 03:30	Australia	Westpac Leading Index MoM	Nov	--	0.08%
12/19/18 03:50	Japan	Trade Balance	Nov	-¥630.0b	-¥449.3b
12/19/18 03:50	Japan	Trade Balance Adjusted	Nov	-¥274.9b	-¥302.7b
12/19/18 08:00	Malaysia	CPI YoY	Nov	0.40%	0.60%
12/19/18 11:05	Thailand	BoT Benchmark Interest Rate	19-Dec	1.75%	1.50%
12/19/18 13:00	Poland	Sold Industrial Output MoM	Nov	-4.00%	9.90%
12/19/18 13:00	Poland	Sold Industrial Output YoY	Nov	4.20%	7.40%
12/19/18 13:00	Poland	PPI YoY	Nov	3.10%	3.20%
12/19/18 13:30	United Kingdom	CPI MoM	Nov	0.20%	0.10%
12/19/18 13:30	United Kingdom	CPI YoY	Nov	2.30%	2.40%
12/19/18 13:30	United Kingdom	CPI Core YoY	Nov	1.80%	1.90%
12/19/18 13:30	United Kingdom	PPI Output NSA MoM	Nov	0.00%	0.30%
12/19/18 13:30	United Kingdom	PPI Output NSA YoY	Nov	3.00%	3.30%
12/19/18 16:00	United States	MBA Mortgage Applications	14-Dec	--	1.60%
12/19/18 17:00	Russia	Retail Sales Real YoY	Nov	2.10%	1.90%
12/19/18 17:00	Russia	Unemployment Rate	Nov	4.80%	4.70%
12/19/18 17:30	Canada	CPI NSA MoM	Nov	-0.40%	0.30%
12/19/18 17:30	Canada	CPI YoY	Nov	1.80%	2.40%
12/19/18 18:00	Belgium	Business Confidence	Dec	-0.9	0.4
12/19/18 19:00	United States	Existing Home Sales	Nov	5.20m	5.22m
12/19/18 23:00	United States	FOMC Rate Decision (Upper Bound)	19-Dec	2.50%	2.25%
12/19/18 23:00	Argentina	Trade Balance	Nov	\$191m	\$277m
12/19/18	Ukraine	GDP YoY	3Q F	2.80%	2.80%
12/19/18	Philippines	BoP Overall	Nov	--	-\$458m
12/17/18- 12/23/18	Kenya	Money Supply M3 YoY	Oct	--	8.40%
12/15/18- 12/25/18	United Arab Emirates	M1 Money Supply MoM	Nov	--	-1.40%
12/15/18- 12/25/18	United Arab Emirates	M3 Money Supply MoM	Nov	--	-0.90%
12/15/18- 12/25/18	Saudi Arabia	CPI YoY	Nov	--	2.40%

Source: Bloomberg as of 19th December 2018

Fixed Income Desk – Team Background



Syed Yahya Sultan
Head of Fixed Income Strategy
CIO Office | Wealth Management

Email: yahyas@emiratesnbd.com
Telephone: +971 4 609 3724
Mobile: +971 55 886 3947



Muna Alawadhi
Fixed Income Analyst
CIO Office | Wealth Management

Email: munasa@emiratesnbd.com
Telephone: +971 4 609 3511

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