

# Your daily feed from the Fixed Income team

## FIXED INCOME DESK

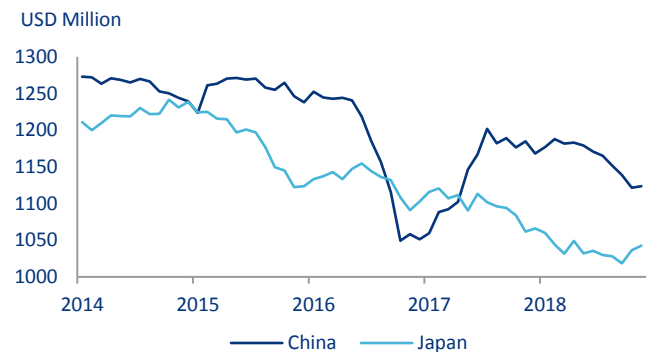
- Asian risk assets on a strong footing amid optimism on the global backdrop and ongoing trade discussions. News that the U.S. and China had reached consensus on the main topics in their trade negotiations helped boost risk appetite ahead of talks that resume in Washington this week. US benchmark Treasury yields are faring well at 2.66% followed by UK Gilts and Germany Bunds at 1.15% and 0.10% respectively. China's holdings of US Treasuries rebounded after decreasing for six consecutive months to \$1.123 Trillion. China remains as the largest foreign holder of US Treasuries followed by Japan at \$1.042 Trillion. US yield curve (ten minus two) flattened back to 14bp. The yen weakened against all its major peers as optimism about a breakthrough in U.S.-China trade talks curbed demand for haven assets. Oil prices rose strongly as Saudi Arabia curbed output further. The kingdom closed the giant Safaniyah field to repair damaged power cable. This followed reports that they would be cutting output further than agreed under the OPEC+ production cut deal.
- Emirates Development Bank P.J.S.C. ("EDB"), a development bank that is 100% owned by the Federal Government of the United Arab Emirates and rated AA- (stable) by Fitch, has mandated Emirates NBD Capital as Financial Advisor, Emirates NBD Capital and Standard Chartered Bank as Joint Global Coordinators and Emirates NBD Capital, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch and Standard Chartered Bank as Joint Lead Managers to arrange a series of fixed income investor meetings in Asia, the Middle East and Europe commencing 20th February 2019. A Benchmark 5-year USD Reg S senior unsecured bond offering, expected to be rated AA- by Fitch, under EDB's USD 3.0bn Euro Medium Term Note Programme will follow, subject to market conditions.
- Indian first time Eurobond issuer Shriram Transports Finance Company limited (rated BB+ stable by S&P and Fitch) are meeting investors to potentially price a USD bond transaction this week while Kerala infrastructure Investment Fund Board is also looking to price a Masala bond. Furthermore, Turk Telecom is returning to international debt capital markets with a tenor of between five to seven years of a senior unsecured bond.
- The Central Bank of Egypt cut all policy rates by 100bp and seem to add to further cuts in the coming months. The CBE decision comes on the back of a sharp deceleration in headline inflation in December, helping achieve the previous 13% (+/-3%) target by Q4 18. The central bank remains confident its new 9% (+/-3%) target will be achieved by Q4 20. The window of opportunity is still open for investors looking to participate in the Egyptian T-Bills as we foresee a material drop on yields from current levels. The last CBE auction saw weighted average yields on the six-months and twelve-Months at 18.56% and 18.18% respectively.
- Disappointing macro data - US retail sales recorded their most significant drop in more than nine years in December suggesting a sharp slowdown in economic activity at the end of 2018. December's sharp decline in core retail sales suggested moderation in the pace of consumer spending in the last quarter. US Industrial production also reported weaker numbers falling 0.6% in January, the first drop in eight months. To add, the Industrial Production in December was revised down to a 0.1% gain from the initial estimate of a 0.3% gain. Despite the decline, production remains 3.8% higher in January than it was a year earlier. The manufacturing sector faces headwinds from slowing global growth, trade tensions and the strong dollar. Weakness was particularly evident in the auto sector with output of new vehicles and parts down 8.8%.

**US YIELD CURVE TREND CONTINUE**



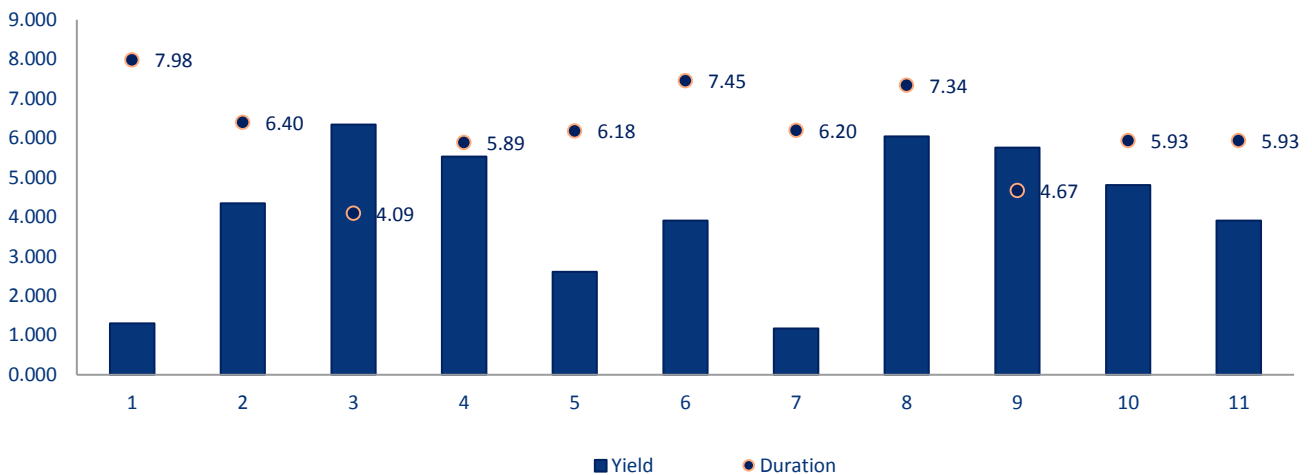
Source: Bloomberg

**CHINA - THE LARGEST HOLDER OF US TREASURIES**



Source: Bloomberg

**Fixed Income Valuations**



Source: Bloomberg

**INTERBANK RATES AND GOVERNMENT BONDS**

	3m	6M	12M	2Y	5Y	10 y
<b>LIBOR</b>	2.68	2.75	2.91			
<b>EURIBOR</b>	-0.31	-0.23	-0.11			
<b>EIBOR</b>	2.90	3.12	3.43			
<b>SAIBOR</b>	2.94	3.06	3.28			
<b>US Treasuries</b>				2.51	2.49	2.66
<b>Germany Bunds</b>				-0.56	-0.35	0.10
<b>UK Gilts</b>				0.72	0.81	1.16
<b>Mid Swaps (MS)</b>			2.70	2.65	2.58	2.69

## CREDIT INDICES

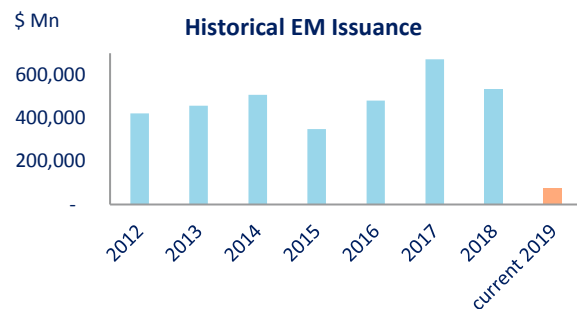
	Spread	Chg Day	Chg YTD
I Traxx Europe	69.01	0	-21.02
I Traxx Europe Crossover	300.41	0	-14.83
CDX North America IG	NA	0	-28.76
CDX North America HY	343.21	0	-23.52
CDX Emerging Markets	174.51	0	-16.10

## BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.30%	-	0.0%	1.0%
GCC Credit	4.3%	180	0.0%	2.5%
Global High yield	6.35%	419	0.1%	4.8%
USD Emerging Market	5.53%	291	0.0%	3.5%
US Government	2.61%	-	0.0%	0.4%
USD Corporate Investment Grade	3.91%	125	0.1%	2.6%
BBG EUR Aggr Corp (Loc)	1.17%	120	0.0%	1.6%
USD EM Sovereign	6.05%	337	0.0%	4.1%
USD EM Corporate	5.76%	320	0.0%	3.3%
Local EM Sovereign	4.81%	48	0.3%	2.3%

## EMERGING MARKETS PRIMARY ISSUANCE

	2018	current 2019 - mn
EM	\$533,322	\$77,159
ASIA	\$279,190	\$40,188
MENA	\$73,189	\$9,088
GCC	\$65,864	\$9,088
Sukuk	\$22,708	\$4,349



## DESK VIEW: POSITIONING & STRATEGY

	Tactical	Strategic
Global Investment Grade	Overweig	Neutral
US High Yield	Neutral	Neutral
Emerging Markets	Overweig	Overweig
GCC Bond/Sukuk	Overweig	Overweig

## EXPECTED PRIMARY BOND SALES

Ronshine China Holdings Limited	(USD) 2.5yr 11%
Yuzhou Properties Company Limited	(USD) 5NC3 8.875%
NA	NA

GLOBAL ECONOMIC CALENDAR

Date Time	Country	Event	Period	Survey	Prior
02/18/19 03:50	Japan	Core Machine Orders MoM	Dec	-1.00%	0.00%
02/18/19 04:30	Singapore	Non-oil Domestic Exports YoY	Jan	-3.20%	-8.50%
02/18/19 06:30	Thailand	GDP YoY	4Q	3.60%	3.30%
02/12/19-02/28/19	Morocco	Interest Rate Announcement	28-Feb	--	2.25%
02/14/19-02/21/19	Kenya	Money Supply M3 YoY	Dec	--	9.10%
02/12/19-02/21/19	Bahrain	M1 Money Supply YoY	Dec	--	0.07%
02/12/19-02/21/19	Oman	CPI YoY	Jan	--	0.75%
02/15/19-02/25/19	Saudi Arabia	CPI YoY	Jan	--	2.20%
02/15/19-02/20/19	Sri Lanka	Exports YoY	Dec	--	4.10%
02/18/19-02/20/19	Vietnam	Domestic Vehicle Sales YoY	Jan	--	35.70%
02/18/19-02/21/19	Brazil	Formal Job Creation Total	Jan	87500	-334462

## THE TEAM



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