

Fixed Income Desk

Your daily feed from the Fixed Income team



Asian risk assets on a stronger footing across the board while safe-haven assets have underperformed. The ten-year US Treasuries weakened to 2.72 percent while the yellow metal fell to \$1282. Asian indices were driven by the recent stimulus by China. The current talks between US and China are expected to conclude today, and we await for the Fed's minutes due to be released today.

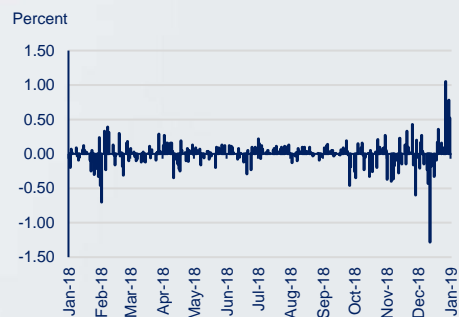
The World Bank cut its forecast for global economic growth as slowing growth in trade and investment and rising interest rates sapped momentum. It now expects global expansion of 2.9% this year, down from 3% in 2018, a reduction of 0.1 percentage points from its June forecast. Growth in China was revised downwards by 0.1% to 6.2% while that in the US was left unchanged at 2.5% and Japan was revised up by 0.1% to 0.9%.

Money collected from the U.S. government's new import tariffs helped offset the loss of revenue it suffered from corporate tax reductions, according to estimates published Tuesday by the Congressional Budget Office. Customs duties increased by \$8 billion in the final three months of 2018, an 83% gain from the year-ago period thanks in large part to tariffs imposed by President Donald Trump. The increased money helped compensate for a \$9 billion reduction in revenue from corporate income taxes, which the CBO blamed "largely" on tax cuts that Trump signed into law in 2017.

Britain's Parliament resumes a debate on the Brexit withdrawal bill, with Prime Minister Theresa May seeking to avoid defeat in a vote set for the week of Jan. 14.

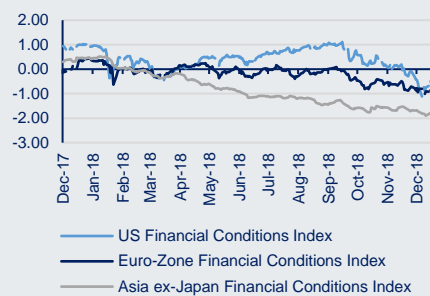
Sovereign bonds in India drop on back of higher oil prices, raising inflationary concerns. The rise in U.S. Treasury yields is also weighing. The rupee drops after opening higher. The Reserve Bank of India is to purchase INR100b rupees of government bonds via OMO on Jan. 10; central bank said earlier it will purchase 500b rupees of bonds in January as part of its liquidity injection plan. Skeptics has been mounting on the viability and sustainability of yields offered on the long-end of the curve as focus on the 2019 fiscal outlook, and upcoming elections due in May.

Investors piling back into US HY - Price Change 1 day



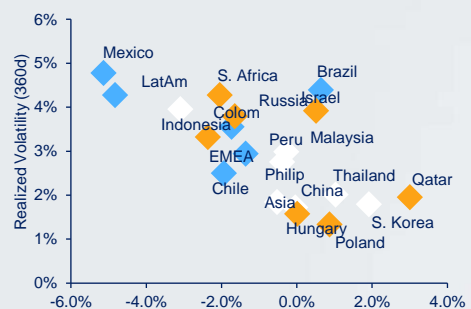
Source: Bloomberg

US financial conditions into negative territory



Source: Bloomberg

EM USD Debt - Total Rtn vs. Realized Vol



Source: Bloomberg

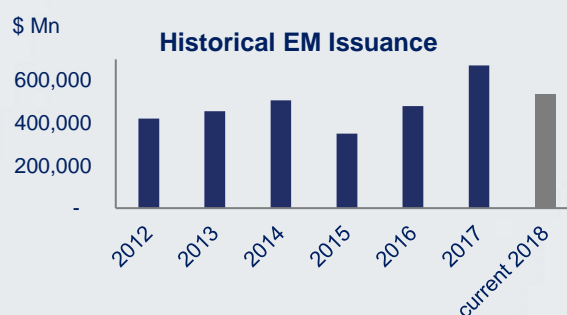
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Interbank rates and Government bonds						
	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.80	2.85	2.99			
EURIBOR	-0.31	-0.24	-0.12			
EIBOR	2.94	3.17	3.48			
SAIBOR	2.97	3.11	3.33			
US Treasuries				2.57	2.56	2.72
Germany Bunds				-0.58	-0.32	0.23
UK Gilts				0.75	0.90	1.27
Mid Swaps (MS)			2.77	2.71	2.64	2.75

Credit Indices			
	Spread	Chg Day	Chg YTD
I Traxx Europe	85.62	0	-2.00
I Traxx Europe Crossover	344.09	0	-2.44
CDX North America IG	NA	0	-10.40
CDX North America HY	406.23	0	-9.53
CDX Emerging Markets	193.09	0	-7.17

Bond Market Performance				
BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.36%	-	-0.2%	0.0%
GCC Credit	4.6%	200	0.0%	0.6%
Global High yield	7.03%	481	0.5%	1.9%
USD Emerging Market	5.94%	326	0.0%	1.0%
US Government	2.66%	-	-0.2%	0.0%
USD Corporate Investment Grade	4.23%	151	0.0%	0.3%
BBG EUR Aggr Corp (Loc)	1.43%	138	-0.1%	-0.3%
USD EM Sovereign	6.42%	370	-0.1%	1.3%
USD EM Corporate	6.35%	372	0.1%	0.7%
Local EM Sovereign	4.95%	53	-0.4%	1.1%

Emerging Markets Primary Issuance		
	2017 - mn	2018 - mn
EM	\$671,784	\$533,322
ASIA	\$323,590	\$279,190
MENA	\$86,937	\$73,189
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	
NA	NA
NA	NA
NA	NA

Source: Bloomberg (Chart & Tables)

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Global Economic Calendar					
Date Time	Country	Event	Period	Survey	Prior
01/09/19 03:00	South Korea	Unemployment rate SA	Dec	3.90%	3.80%
01/09/19 04:30	Australia	Building Approvals MoM	Nov	-0.30%	-1.50%
01/09/19 11:30	Switzerland	CPI MoM	Dec	-0.20%	-0.30%
01/09/19 11:30	Switzerland	CPI YoY	Dec	0.80%	0.90%
01/09/19 11:45	France	Consumer Confidence	Dec	9000.00%	9200.00%
01/09/19 12:00	Switzerland	Foreign Currency Reserves	Dec	750.0b	748.8b
01/09/19 13:00	Iceland	Trade Balance	Dec P	--	- 1876900.00%
01/09/19 13:00	Lithuania	CPI YoY	Dec	--	2.50%
01/09/19 14:00	Greece	Industrial Production YoY	Nov	--	-1.10%
01/09/19 15:00	Latvia	Trade Balance	Nov	--	-342.1m
01/09/19 16:00	United States	MBA Mortgage Applications	43469	--	-8.50%
01/09/19 17:15	Canada	Housing Starts	Dec	205.5k	215.9k
01/09/19 18:00	Mexico	CPI MoM	Dec	0.73%	0.85%
01/09/19 18:00	Mexico	CPI YoY	Dec	4.85%	4.72%
01/09/19 18:00	Mexico	Bi-Weekly CPI	43830	-0.02%	0.56%
01/09/19 19:00	Canada	Bank of Canada Rate Decision	43474	1.75%	1.75%
01/09/19	Poland	Poland Base Rate Announcement	43474	1.50%	1.50%
01/09/19	Ukraine	CPI YoY	Dec	10.20%	10.00%
01/07/19- 01/11/19	Latvia	Unemployment Rate	Dec	--	6.20%
01/09/19- 01/13/19	Vietnam	Domestic Vehicle Sales YoY	Dec	--	35.50%
01/09/19- 01/11/19	Estonia	Unemployment Rate	Dec	--	4.70%
01/09/19- 01/10/19	El Salvador	CPI YoY	Dec	--	1.08%
01/08/19- 01/11/19	Guatemala	Guatemala Remittances YoY	Dec	--	17.10%

Source: Bloomberg as of 9th January 2019

Fixed Income Desk – Team Background



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