

Fixed Income Desk

Your daily feed from the Fixed Income team



The Middle Eastern region successfully raised over \$12bn of new debt. The Kingdom of Saudi Arabia raised \$7.5bn across a ten-year and thirty-one year offering at spreads of 175bp and 230bp over the benchmarks while the Republic of Turkey sold \$2bn in 10-year bonds paying a coupon of 7.625%.

Markets on a mixed tone this morning alongside US Futures at the time of writing. The collapse of the US Government shutdown talks overshadowed US-China trade-talk progress. The minutes from the FOMC's December meeting also revealed more caution on the interest-rate outlook. "Many" officials felt the central bank could be "patient" on further rate hikes. Policy makers saw the extent and timing of future increases as less clear, and some "note that downside risks may have increased.". US Treasuries extended gains in Asia and the yen rallied on back of weak inflation reading. The dollar remained steady with gold. Fed Chairman Powell will speak to the Economic Club of Washington D.C. today.

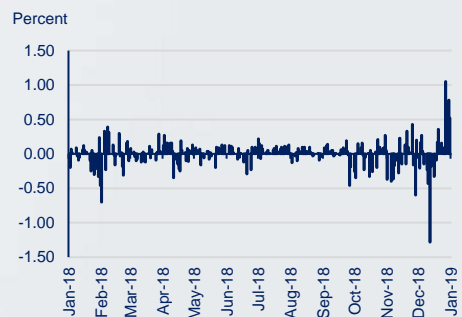
Precious metals rose strongly as Fed minutes showed a more dovish tone. Gold prices marched towards \$1,297 after policy makers took a more cautious approach to further rate hikes. Combined with easing trade tension the USD weakened, helping support investor sentiment in the precious sector. Palladium also higher after China announce measure to stimulate car sales after a historic slump in 2018.

Indian Oil Corporation released guidance on their five-year senior unsecured bond at 250bp over the equivalent US benchmark Treasuries. This translates to an indicative yield of 5.02%. Based on peers and existing bonds, these appear quite cheap, in our opinion.

China's inflation slowed more than expected in December as sagging economic growth hurt demand. Consumer prices slipped to 1.9% from 2.2% in the previous month, while economists expected 2.1%. Factory-gate price growth also missed roundly, slowing to 0.9% versus the 1.6% consensus. Beijing is expected to add more fiscal support in 2019 on top of the \$29 billion in tax cuts for small firms announced yesterday.

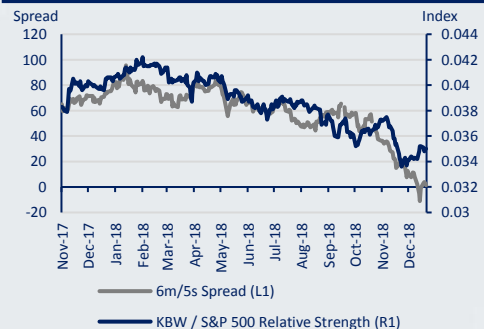
Dubai Islamic Bank rated A3 by Moody's and A by Fitch, both with a stable outlook, the second largest Islamic bank in the world and the largest Islamic bank in the United Arab Emirates, both measured by total asset size, has mandated Emirates NBD Capital and other banks to arrange a series of fixed income investor meetings in Europe and Asia commencing 11 January 2019. A benchmark fixed rate USD Regulation S Additional Tier 1 perpetual non-call six year unrated Sukuk will follow, subject to market conditions.

Investors piling back into US HY - Price Change 1 day



Source: Bloomberg

US Financials under pressure as Yield curve flattens



Source: Bloomberg

Kingdom of Saudi Arabia – Yield Curve (USD)



Source: Bloomberg

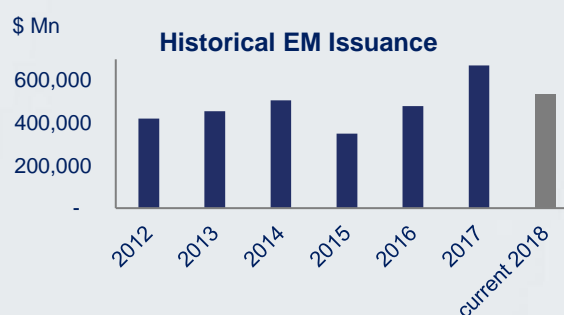
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Interbank rates and Government bonds						
	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.78	2.85	3.02			
EURIBOR	-0.31	-0.24	-0.12			
EIBOR	2.93	3.23	3.48			
SAIBOR	2.97	3.10	3.33			
US Treasuries				2.53	2.53	2.70
Germany Bunds				-0.58	-0.33	0.28
UK Gilts				0.74	0.90	1.26
Mid Swaps (MS)			2.76	2.68	2.60	2.72

Credit Indices			
	Spread	Chg Day	Chg YTD
I Traxx Europe	82.38	0	-5.71
I Traxx Europe Crossover	333.69	0	-5.39
CDX North America IG	N/A	0	-9.85
CDX North America HY	412.97	0	-8.06
CDX Emerging Markets	190.77	0	-8.29

Bond Market Performance				
BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.35%	-	0.0%	0.0%
GCC Credit	4.6%	199	0.0%	0.7%
Global High yield	6.90%	470	0.5%	2.4%
USD Emerging Market	5.89%	321	0.3%	1.2%
US Government	2.66%	-	-0.1%	-0.1%
USD Corporate Investment Grade	4.20%	148	0.2%	0.4%
BBG EUR Aggr Corp (Loc)	1.41%	137	0.1%	-0.2%
USD EM Sovereign	6.36%	363	0.4%	1.7%
USD EM Corporate	6.29%	367	0.3%	0.9%
Local EM Sovereign	4.94%	53	0.4%	1.5%

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	
Shanghai Commercial Bank	NA
Indian Oil 5Y	CT5+250bp
Sunac China 2Y	8.875% area

Source: Bloomberg (Chart & Tables)

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Global Economic Calendar					
Date Time	Country	Event	Period	Survey	Prior
01/10/19 11:45	France	Industrial Production MoM	Nov	0.00%	1.20%
01/10/19 11:45	France	Industrial Production YoY	Nov	-0.20%	-0.70%
01/10/19 11:45	France	Manufacturing Production MoM	Nov	0.40%	1.40%
01/10/19 11:45	France	Manufacturing Production YoY	Nov	--	-1.30%
01/10/19 13:00	Italy	Retail Sales MoM	Nov	--	0.10%
01/10/19 13:00	Italy	Retail Sales YoY	Nov	--	1.50%
01/10/19 17:00	Russia	Gold and Forex Reserve	43469	--	466.0b
01/10/19 17:30	United States	Initial Jobless Claims	43470	226k	231k
01/10/19 17:30	Canada	New Housing Price Index MoM	Nov	0.00%	0.00%
01/10/19 17:30	Canada	New Housing Price Index YoY	Nov	0.00%	0.10%
01/10/19 17:30	Canada	Building Permits MoM	Nov	-0.50%	-0.20%
01/10/19 17:30	United States	Continuing Claims	43828	1740k	1740k
01/10/19 18:45	United States	Bloomberg Consumer Comfort	43471	--	59.60
01/10/19 19:00	United States	Wholesale inventories/sales data postponed by govt shutdown			
01/10/19- 01/11/19	Russia	Wellbeing Fund	Dec	--	\$68.6b
01/10/19- 01/11/19	Russia	CPI YoY	Dec F	--	4.20%
01/10/19- 01/11/19	Russia	CPI MoM	Dec F	--	0.80%
01/10/19- 01/11/19	Russia	CPI YTD	Dec	4.20%	4.20%
01/10/19- 01/11/19	Russia	CPI Core MoM	Dec	0.50%	0.40%
01/10/19- 01/11/19	Russia	CPI Core YoY	Dec	3.70%	3.40%

Source: Bloomberg as of 9th January 2019

Fixed Income Desk – Team Background



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