

Fixed Income Desk

Your daily feed from the Fixed Income team



What's on my mind?

The World Economic Forum in Davos has stolen all the media limelight with so many experts and Guru's casting their global macro opinions. Now that the Saudis have showed some financial support to Lebanon the big question remains if the Lebanese could avoid a default and calm markets. As expected the rating agencies did their part by lowering ratings to Caa1, and CDS levels have heightened investor tensions. The central bank has maintained stability through stimulus measures and financial engineering, made possible by the billions of dollars deposited into Lebanese banks by the nation's diaspora. The relief rally post Qatari's \$500m support would be short lived, in our opinion and the Government would need to step up further reforms both on the political and socio-economic front.

Asian risk asset mixed this morning while the US 10-year yield well supported at 2.74% with Gold holding its shine and broadly unchanged at \$1284. Sterling on a strong footing amid signs the U.K. Parliament is moving closer to a plan for delaying Brexit. WTI fell back below \$53 a barrel.

ECB first meeting of the year (and the first since ending QE). Both the soft and hard data flow from the euro area has disappointed and the market has pushed back the timing of the lift-off on rates to December. We are closely monitoring ECB's assessment of current and future developments on the macro front as well as any cues on their forward guidance. In the Euro area consumer confidence lifted slightly in January (to -7.9 from -8.3 in December).

Saudi Arabia's has vowed their push for support to Lebanon. "We are interested to see stability in Lebanon and we will support Lebanon all the way" (Saudi Finance Minister Mohammed Al-Jadaan).

Lebanon would need as much as \$7 billion to cover this year's fiscal deficit and Eurobond maturities without tapping foreign-exchange reserves.

The January Richmond Fed manufacturing index rose to -2 (last: -8) but remains well below its high of 29 in September. Shipments improved to -8 (last: -25), but new orders fell to -9 (last: -11) and the backlog of orders fell. Capex fell to 9 (last: 17), but the number of employees rose. Essentially, coincident indicators were ok but forward-looking indicators deteriorated.

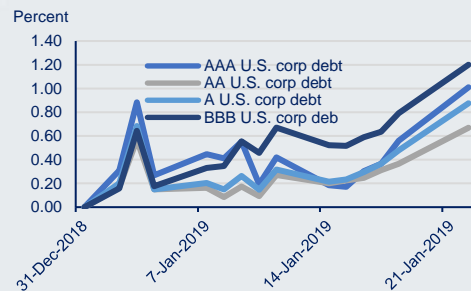
The UK January CBI trends survey fell to -1 (last: +8) as export orders fell and the volume of output over the past three months eased. This reflects global softness and encompasses Brexit uncertainty.

Chinese stock buybacks fall from companies use of leverage



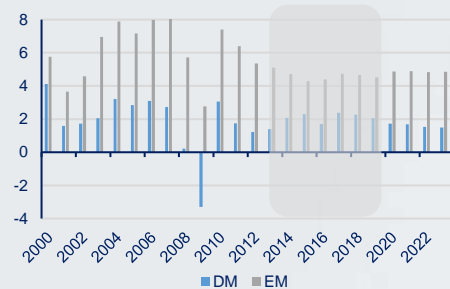
Source: Bloomberg

US- BBB Corp debt outperforming



Source: Bloomberg

IMF cuts global forecasts



Source: Bloomberg

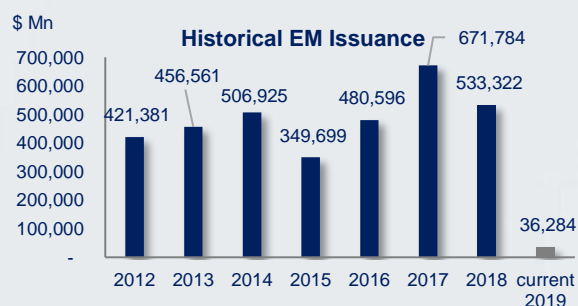
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Interbank rates and Government bonds						
	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.78	2.85	3.04			
EURIBOR	-0.31	-0.24	-0.12			
EIBOR	2.89	3.14	3.46			
SAIBOR	2.97	3.10	3.33			
US Treasuries				2.58	2.58	2.74
Germany Bunds				-0.58	-0.29	0.23
UK Gilts				0.79	0.96	1.32
Mid Swaps (MS)			2.78	2.73	2.66	2.77

Credit Indices			
	Spread	Chg Day	Chg YTD
I Traxx Europe	77.56	0	-11.22
I Traxx Europe Crossover	331.78	0	-5.93
CDX North America IG	NA	0	-15.46
CDX North America HY	393.25	0	-12.43
CDX Emerging Markets	179.39	0	-13.76

Bond Market Performance				
BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.34%	-	0.0%	0.3%
GCC Credit	4.5%	185	0.2%	1.5%
Global High yield	6.75%	452	0.0%	3.1%
USD Emerging Market	5.71%	301	0.2%	2.3%
US Government	2.69%	-	-0.1%	-0.2%
USD Corporate Investment Grade	4.10%	135	0.0%	1.0%
BBG EUR Aggr Corp (Loc)	1.34%	130	0.1%	0.4%
USD EM Sovereign	6.17%	341	0.5%	3.0%
USD EM Corporate	6.04%	339	0.1%	1.9%
Local EM Sovereign	4.91%	52	0.2%	1.3%

Emerging Markets Primary Issuance		
	2018	current 2019 - mn
EM	\$533,322	\$36,284
ASIA	\$279,190	\$16,944
MENA	\$73,189	\$9,013
GCC	\$65,864	\$9,013
Sukuk	\$22,708	\$1,599



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	
Celestial Miles Limited	6.3% area
ESR Cayman Limited	(SGD) 6.75% area
China Molybdenum Co., Ltd.	Mandate

Source: Bloomberg (Chart & Tables)

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Global Economic Calendar					
Date Time	Country	Event	Period	Survey	Prior
01/24/19 03:50	Japan	Japan Buying Foreign Stocks	18-Jan	--	-¥172.5b
01/24/19 03:50	Japan	Foreign Buying Japan Stocks	18-Jan	--	-¥428.2b
01/24/19 04:30	Japan	Nikkei Japan PMI Mfg	Jan P	--	52.6
01/24/19 04:30	Australia	Employment Change	Dec	18.0k	37.0k
01/24/19 04:30	Australia	Unemployment Rate	Dec	5.10%	5.10%
01/24/19 04:30	Australia	Participation Rate	Dec	65.70%	65.70%
01/24/19 04:51	South Korea	BoK 7-Day Repo Rate	24-Jan	1.75%	1.75%
01/24/19 06:00	Philippines	GDP YoY	4Q	6.30%	6.10%
01/24/19 08:00	Malaysia	CPI YoY	Dec	0.30%	0.20%
01/24/19 11:00	Norway	Unemployment Rate AKU	Nov	4.00%	4.00%
01/24/19 11:00	Malaysia	BNM Overnight Policy Rate	24-Jan	3.25%	3.25%
01/24/19 11:00	Finland	Unemployment Rate	Dec	--	6.20%
01/24/19 12:15	France	Markit France Manufacturing PMI	Jan P	50	49.7
01/24/19 12:15	France	Markit France Services PMI	Jan P	50.5	49
01/24/19 12:30	Germany	Markit/BME Germany Manufacturing PMI	Jan P	51.5	51.5
01/24/19 12:30	Sweden	Unemployment Rate	Dec	5.80%	5.50%
01/24/19 13:00	Norway	Deposit Rates	24-Jan	0.75%	0.75%
01/24/19 13:00	Eurozone	Markit Eurozone Manufacturing PMI	Jan P	51.4	51.4
01/24/19 13:00	Poland	Unemployment Rate	Dec	5.80%	5.70%
01/24/19 16:45	Eurozone	ECB Main Refinancing Rate	24-Jan	0.00%	0.00%
01/24/19 16:45	Eurozone	ECB Marginal Lending Facility	24-Jan	0.25%	0.25%
01/24/19 16:45	Eurozone	ECB Deposit Facility Rate	24-Jan	-0.40%	-0.40%
01/24/19 17:00	Russia	Gold and Forex Reserve	18-Jan	--	472.6b
01/24/19 17:30	United States	Initial Jobless Claims	19-Jan	218k	213k
01/24/19 18:00	Mexico	Bi-Weekly CPI	15-Jan	0.25%	-0.06%
01/24/19 18:45	United States	Markit US Manufacturing PMI	Jan P	53.5	53.8
01/24/19 19:00	United States	Leading Index	Dec	-0.10%	0.20%
01/24/19 23:00	Argentina	Economic Activity Index YoY	Nov	-6.00%	-4.00%
01/24/19 23:00	Argentina	Economic Activity Index MoM	Nov	--	0.90%
01/22/19- 01/29/19	Morocco	Interest Rate Announcement	1-Feb	--	2.25%
01/15/19- 01/25/19	United Arab Emirates	M1 Money Supply MoM	Dec	--	0.50%
01/15/19- 01/25/19	United Arab Emirates	M3 Money Supply MoM	Dec	--	1.80%

Source: Bloomberg as of 24th January 2019

Fixed Income Desk – Team Background



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