

Fixed Income Desk

Your daily feed from the Fixed Income team



Asian indices on a mixed footing as investors wait for further clarity on FED's policy actions and balance sheet reduction. The lawmakers vote to renegotiate the Brexit withdrawal agreement with Brussels, and Apple's earnings were probably the closely watched events in the past 24 hours. US benchmark yields at 2.71% while gold edged higher to \$1314.

Chinese President Xi Jinping's top economic aide, Vice Premier Liu He, will meet with U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin today.

Apple 1Q Results and Forecast Suggest Performance Stabilizing; Co. Forecasts 2Q Sales \$55B-\$59B Meeting Analyst estimates at High End; iPhone Sales Down 15% But Rest of Business Up About 19%; New Goal to Make Services Category Centerpiece of Future Sales Growth; Most Popular Phone Lineup is XR, XS Max, XS. Apple has been pulling back on its bond market purchases for the last three consecutive quarters, another consequence of the new tax legislation (Bloomberg).

Fitch Ratings reduces Pemex's credit rating from BBB + to BBB-, the outlook remains negative. "The decline in Pemex's ratings reflects the continued deterioration of Pemex's individual credit profile." Earlier this month, Pemex announced a potential capital injection at some point this year. There was a widespread expectation leading into Monday's announcement that more funds would be floated. Pemex has seen crude production fall steadily from a peak in 2004 while racking up \$107 billion of debt. It's now the biggest borrower of any of the companies and countries in the Bloomberg Barclays EM USD Aggregate index, beating out even Saudi Arabia.

Abu Dhabi Three-Way Merger to Form \$114 Billion U.A.E. Bank. New banking group will carry the ADCB identity. Abu Dhabi Commercial Bank PJSC agreed to merge with Union National Bank PJSC and Al Hilal Bank to create the Gulf's fifth-biggest lender with about \$114 billion in assets. ADCB offered 0.5966 share for every UNB share, according to a statement. The combined entity will buy privately-held Al Hilal Bank for about 1 billion dirhams (\$272 million) by issuing a mandatory convertible note. The deal is expected to close in the first half. ADCB Chairman Eissa Mohamed Al Suwaidi becomes chairman designate of the new banking group and Mohamed Bin Dhaen Al Hamli vice chairman designate. Al Hilal Bank will retain its existing name and brand and operate as a separate Islamic banking entity within the group.

Chinese insurers are being encouraged to use their long-term funds to increase their exposure to listed companies, particularly through equities and high-quality bonds, as concerns grow over the looming trade wars. The regulator said it planned to speed up the regulatory process for approving significant equity investments. The China Banking and Insurance Regulatory Commission (CBIRC) first announced new rules for the setting up of these special-purpose products in October last year, which will hold stocks, bonds and convertible bonds issued by listed companies.

Dubai Investments Park has decided to postpone its proposed USD RegS 5-year sukuk transaction due to the availability of more attractive funding alternatives for refinancing their outstanding notes.

Yield curve dilemma again



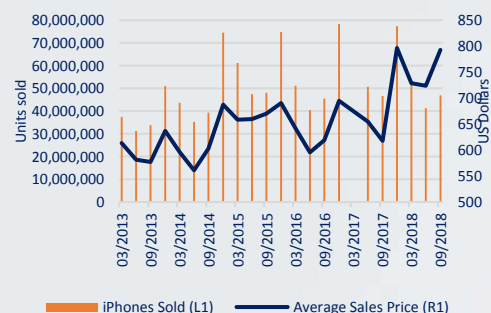
Source: Bloomberg

EM Dollar debt minus US Corp IG



Source: Bloomberg

Apple iPhone sales – Price elasticity?



Source: Bloomberg

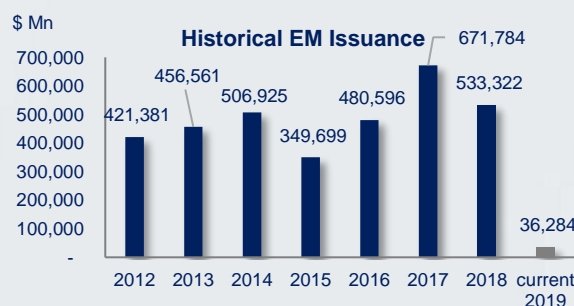
**Fixed Income Desk**

Interbank rates and Government bonds						
	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.75	2.83	3.03			
EURIBOR	-0.31	-0.24	-0.11			
EIBOR	2.93	3.09	3.47			
SAIBOR	2.97	3.10	3.33			
US Treasuries				2.58	2.56	2.72
Germany Bunds				-0.57	-0.29	0.20
UK Gilts				0.77	0.91	1.27
Mid Swaps (MS)			2.76	2.71	2.63	2.75

Credit Indices			
	Spread	Chg Day	Chg YTD
I Traxx Europe	74.72	0	-14.48
I Traxx Europe Crossover	325.53	0	-7.71
CDX North America IG	N/A	0	-17.49
CDX North America HY	377.23	0	-16.02
CDX Emerging Markets	181.31	0	-12.84

Bond Market Performance				
BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.32%	-	0.1%	0.6%
GCC Credit	4.5%	189	0.0%	1.4%
Global High yield	6.66%	448	0.1%	3.4%
USD Emerging Market	5.68%	300	0.0%	2.5%
US Government	2.66%	-	0.2%	0.0%
USD Corporate Investment Grade	4.02%	131	0.2%	1.6%
BBG EUR Aggr Corp (Loc)	1.29%	127	0.1%	0.7%
USD EM Sovereign	6.19%	347	-0.1%	3.0%
USD EM Corporate	5.92%	330	0.0%	2.3%
Local EM Sovereign	4.89%	51	0.2%	2.3%

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	
Towngas US\$ perp NC5	Mandate

Source: Bloomberg (Chart & Tables)

## Fixed Income Desk

Global Economic Calendar						
Date Time	Country	Event	Period	Survey	Prior	
01/30/19 10:30	France	GDP QoQ	4Q A	0.20%	0.30%	
01/30/19 10:30	France	GDP YoY	4Q A	0.90%	1.40%	
01/30/19 11:00	Germany	Import Price Index MoM	Dec	-0.8%	-1.0%	
01/30/19 11:00	Germany	Import Price Index YoY	Dec	2.10%	3.1%	
01/30/19 11:00	Germany	GfK Consumer Confidence	Feb	10.3	10.4	
01/30/19 11:45	France	PPI MoM	Dec	--	0.4%	
01/30/19 11:45	France	PPI YoY	Dec	--	2.60%	
01/30/19 11:45	France	Consumer Spending MoM	Dec	-0.30%	-0.30%	
01/30/19 11:45	France	Consumer Spending YoY	Dec	-0.70%	-2.00%	
01/30/19 13:00	Italy	Consumer Confidence Index	Jan	112.80	113.1	
01/30/19 13:00	Italy	Manufacturing Confidence	Jan	103	103.6	
01/30/19 13:00	Italy	Economic Sentiment	Jan	--	99.8	
01/30/19 14:00	Eurozone	Economic Confidence	Jan	106.8	107.3	
01/30/19 14:00	Eurozone	Business Climate Indicator	Jan	0.77	0.82	
01/30/19 14:00	Eurozone	Industrial Confidence	Jan	0.5	1.1	
01/30/19 14:00	Eurozone	Services Confidence	Jan	11.5	12	
01/30/19 14:00	Eurozone	Consumer Confidence	Jan F	-7.9	-7.9	
01/30/19 16:00	United States	MBA Mortgage Applications	25-Jan	--	-2.7%	
01/30/19 17:00	Russia	CPI Weekly YTD	28-Jan	--	0.9%	
01/30/19 17:00	Russia	CPI WoW	28-Jan	--	0.2%	
01/30/19 17:00	Germany	CPI MoM	Jan P	-0.8%	0.1%	
01/30/19 17:00	Germany	CPI YoY	Jan P	1.6%	1.7%	
01/30/19 17:00	Germany	CPI EU Harmonized MoM	Jan P	-1.0%	0.3%	
01/30/19 17:00	Germany	CPI EU Harmonized YoY	Jan P	1.8%	1.7%	
01/30/19 17:15	United States	ADP Employment Change	Jan	181k	271k	
01/30/19 19:00	United States	Pending Home Sales MoM	Dec	0.005	-0.007	
01/30/19 19:00	United States	Pending Home Sales NSA YoY	Dec	-0.07	-0.077	
01/30/19 23:00	United States	FOMC Rate Decision (Upper Bound)	30-Jan	2.5%	2.5%	
01/30/19 23:00	United States	FOMC Rate Decision (Lower Bound)	30-Jan	2.3%	2.3%	
01/30/19 23:00	United States	Interest Rate on Excess Reserves	31-Jan	2.4%	2.4%	
01/30/19-01/31/19	United States	U.S. BEA Working With Census, OMB on Economic-Data Schedule				

Source: Bloomberg as of 24<sup>th</sup> January 2019

**Fixed Income Desk – Team Background**



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

Email: [yahyas@emiratesnbd.com](mailto: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](mailto: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](http://www.emiratesnbd.com)