



Asian risk assets on a stronger footing this morning across the major indices. China (Golden week holidays) and Hong Kong remains closed for trading. The US benchmark bond yields drifted higher towards the 1.69% with prices of Gold drifting to \$1465.

The dollar strengthened against the G10 peers in a mixed economic data backdrop while market participants await policy cues from Federal Reserve officials this week

Short-term interest rates in the US climbed yesterday as quarter-end funding dynamics added to pressure on borrowing costs, before easing back later in the day. The rate on overnight repo rose to open at 2.70%/2.50% on the last day of September. The \$63.5bn that was offered in its repo operation early Monday appears to have helped that rate subside, with figures showing it at 1.95%/1.70% toward the end of the day.

The 10-year Japanese bond futures fell the most post disappointing 10-year bond auction. The recent announcement on BOJ's bond purchase plan and GPIF's recent tilt on their preferences within the fixed income asset allocation weighed on sentiment. Japan's Government Pension Investment Fund cited it would consider currency-hedged overseas bond holdings as similar to domestic debt investments which would allow GPIF to buy more foreign debt because it is already close to the 19% limit in its current mandate.

BlackRock plans to add more Indian bonds to their holdings, citing the attractiveness after the recent sell-off. Indian bonds offer compelling yields among emerging Asian nations

together with promising prospects of further monetary easing despite wider fiscal deficit.

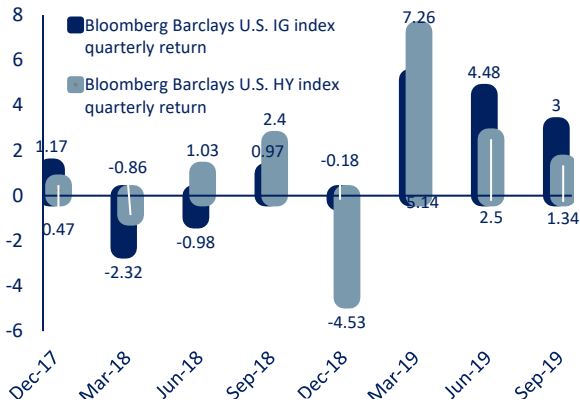
Dollar bond issuance in Asia hit a 3Q-record of more than \$79 billion as Chinese companies led a spree of note sales amid a drop in borrowing costs. The GCC region also witnessed a strong primary supply during September with Sovereign issuers taking the lead printing \$12bn (Emirate of Abu Dhabi \$10bn and Kingdom of Bahrain \$2bn).

The Reserve Bank of Australia lowered their key policy rate to 0.75%. Governor Philip Lowe in a statement highlighted that "It is reasonable to expect that an extended period of low interest rates will be required in Australia to reach full employment and achieve the inflation target. The Board will continue to monitor developments, including in the labour market, and is prepared to ease monetary policy further if needed to support sustainable growth in the economy, full employment and the achievement of the inflation target over time."

South Korean firms are taking advantage of low borrowing costs this year with non-financial companies on track to sell a record amount of won-denominated bonds, according to data from the Korea Financial Investment Association. The issuance comes amid a weakening economy, the first Bank of Korea rate cut in three years and expectations for further easing. (Source Bloomberg)

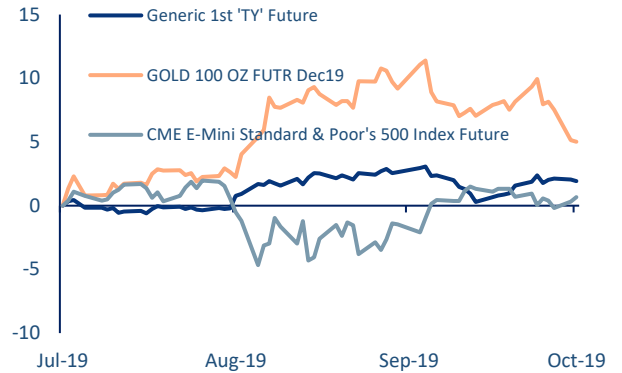
Fitch cut the sovereign rating of The Kingdom of Saudi Arabia to A from A+ on the rationale of entrenched budget deficits and the kingdom's vulnerability to geo political risks. The prices on Eurobonds were not affected. KSA is rated as A3 by Moody's and A- by S&P.

IG OUTPERFORMS HY



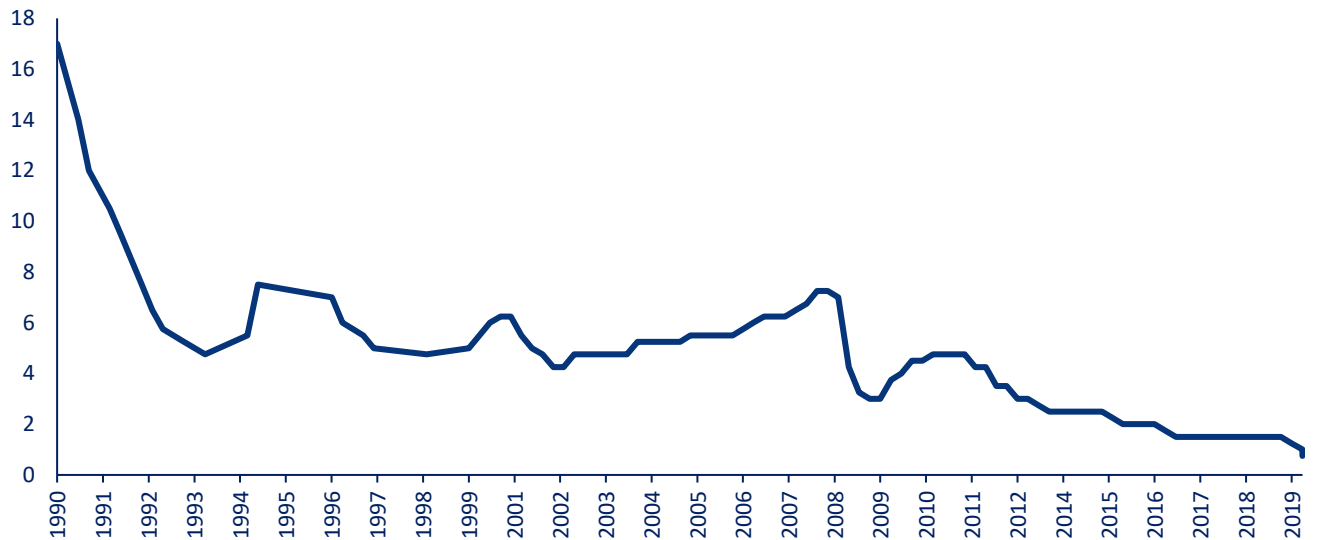
Source: Bloomberg

SAFE HAVENS OUTPERFORM RISK ASSETS DURING Q3 THIS YEAR



Source: Bloomberg

RESERVE BANK OF AUSTRALIA CUTS KEY RATE TO 0.75% - POLICY RATES ARE AT RECORD-LOWS



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.10	2.06	2.04			
EURIBOR	-0.41	-0.38	-0.33			
EIBOR	2.38	2.41	2.40			
SAIBOR	2.36	2.36	2.36			
US Treasuries				1.64	1.57	1.70
Germany Bunds				-0.77	-0.77	-0.57
UK Gilts				0.36	0.28	0.48
Mid Swaps (MS)			1.84	1.66	1.52	1.60

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	55.13	-1.28	-36.90
I Traxx Europe Crossover	231.66	-2.44	-34.32
CDX North America IG		-1.89	-31.85
CDX North America HY	349.96	-6.16	-22.07
CDX Emerging Markets	207.33	-5.59	-0.32

Source: Bloomberg

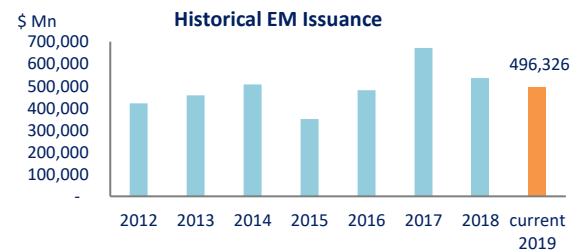
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.75%	-	0.0%	8.6%
GCC Credit	3.3%	160	0.0%	12.8%
Global High yield	5.37%	394	0.0%	11.1%
USD Emerging Market	4.97%	324	0.0%	10.8%
US Government	1.72%	-	0.0%	7.7%
USD Corporate Investment Grade	2.91%	115	0.0%	13.2%
BBG EUR Aggr Corp (Loc)	0.51%	100	0.0%	7.4%
USD EM Sovereign	5.81%	404	0.0%	10.9%
USD EM Corporate	4.95%	328	0.0%	10.4%
Local EM Sovereign	3.89%	39	-0.1%	5.3%

Source: Bloomberg

EMERGING MARKETS PRIMARY ISSUANCE (USD Mio)

	2018	YTD Sep
EM	\$533,322	\$496,326
ASIA	\$279,190	\$244,496



DESK VIEW: POSITIONING & STRATEGY

	Positioning
Global Investment Grade	Overweight
Global High Yield	Underweigh
Emerging Markets	Overweight
GCC Bond/Sukuk	Overweight

EXPECTED PRIMARY BOND SALES

Adani Transmission Limited (20 year Amortiser)	Mandate announcement
Bharati Airtel (PNC5.5)	Mandate Announcement

**Syed Yahya Sultan** - Head of Fixed Income Strategy

He is in charge of the investment strategy for the asset class, is a voting member of the bank's Tactical Asset Allocation Committee and is responsible for the list of recommended bonds. Yahya has over 19 years of experience in fixed income spanning across brokerage, proprietary trading, Islamic banking, Portfolio management and active advisory services. Yahya grew up in the UAE and holds a MBA from the Preston University, Wyoming, USA. Prior to Joining Emirates NBD, he managed the Sukuk business at Noor Bank.

Direct +9714 609 3724

Email: yahyas@emiratesnbd.com

**Satyajit Singh, CFA** – Fixed Income Analyst

He has over 10 years of investment experience and has joined us from ADCB where he worked as a Portfolio Manager in the HNW Segment of the bank. Prior to this, he had worked for Deutsche Bank in the Institutional Clients' Group Credit Desk and ICRA Ltd (A Moody's Investors Services Company) as a senior Analyst in the corporate sector credit ratings desk. He holds a CFA charter, and got his MBA in Finance from IIM Kozhikode as well as a M.Sc in Mathematics and Computing from IIT Kharagpur.

Direct +9714 609 3795

Email: satyajitsi@emiratesnbd.com

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