



Asian risk assets posting losses across the board on poor economic data releases, particularly on the global manufacturing front. Benchmark bonds performed well on the back of investor sentiment with Gold holding its shine at \$1475. Across Emerging Markets bonds, Indonesia and Philippines leading the pack taking cues from the strength of the benchmark US treasuries. The Eurodollar and fed funds futures were repriced higher. The implied probability for a rate cut has jumped from 43% to 61% for the October FOMC.

The European Central Bank begins its official transition to a new benchmark short-term interest rate known as the ESTR (Euro Short-Term Rate). The ESTR would be published daily at 7am London time for previous day. The European Money Markets Institute (EMMI) publishes EONIA using the methodology by 8.15am London time. EONIA to be then set at ESTR plus a fixed 8.5bp (EONIA to be discontinued on 3rd Jan 2022).

Economic activity in the United States' manufacturing sector weakened in September. The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI) in September dropped to 47.8 in September from 49.1 in August to show a contraction in the manufacturing sector's business activity at a stronger pace than expected. This reading also came in below the market expectation of 50.1.

Of the 18 manufacturing industries, three sectors reported growth in September: Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Chemical Products. The 15 industries reporting contraction in September are Apparel, Leather & Allied Products; Printing & Related Support Activities; Wood Products; Electrical Equipment,

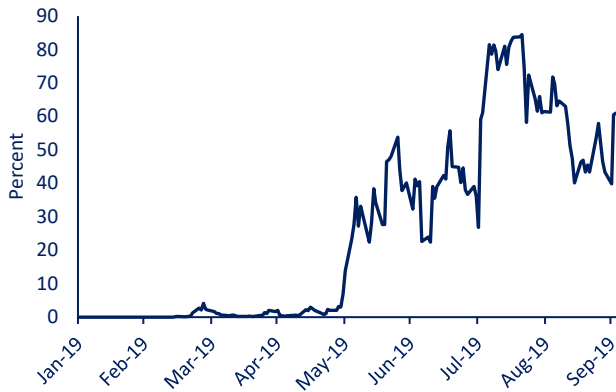
Appliances & Components; Textile Mills; Paper Products; Fabricated Metal Products; Plastics & Rubber Products; Petroleum & Coal Products; Primary Metals; Transportation Equipment; Nonmetallic Mineral Products; Machinery; Furniture & Related Products; and Computer & Electronic Products.

The Reserve Bank of India sets policy on Friday. It is widely expected for the RBI to lower policy rates to complement the recent fiscal reforms. The RBI has already dropped the policy rate (repo rate) four times aggregating to 1.10% since January. At its previous meeting in August the repo rate was lowered by 35bp to 5.40%.

Mario Draghi said looser budget policies complementing the European Central Bank's monetary stimulus would translate a quicker end to ultra-low interest rates. "Fiscal policy playing a more supportive role alongside monetary policy would lead to a faster return to price stability and therefore fewer side effects," the ECB president said in Athens yesterday. "Fiscal policy becomes more powerful when monetary policy is close to the effective lower bound, as the multipliers are higher," the ECB president said. "Furthermore, in certain situations, supportive fiscal policy can complement monetary policy in cutting through the obstacles that are weighing on demand - which is the case in the euro area today."

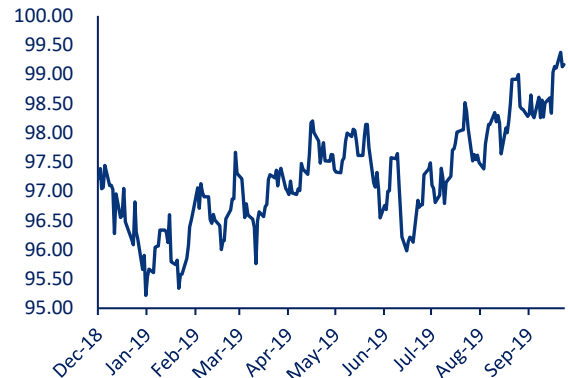
Investors would closely follow September's payroll report which is due this week. The ADP report is due on Wednesday followed by the non-farm payrolls report on Friday.

PROBABILITY OF FED RATE CUT FOR OCTOBER FOMC INCREASES



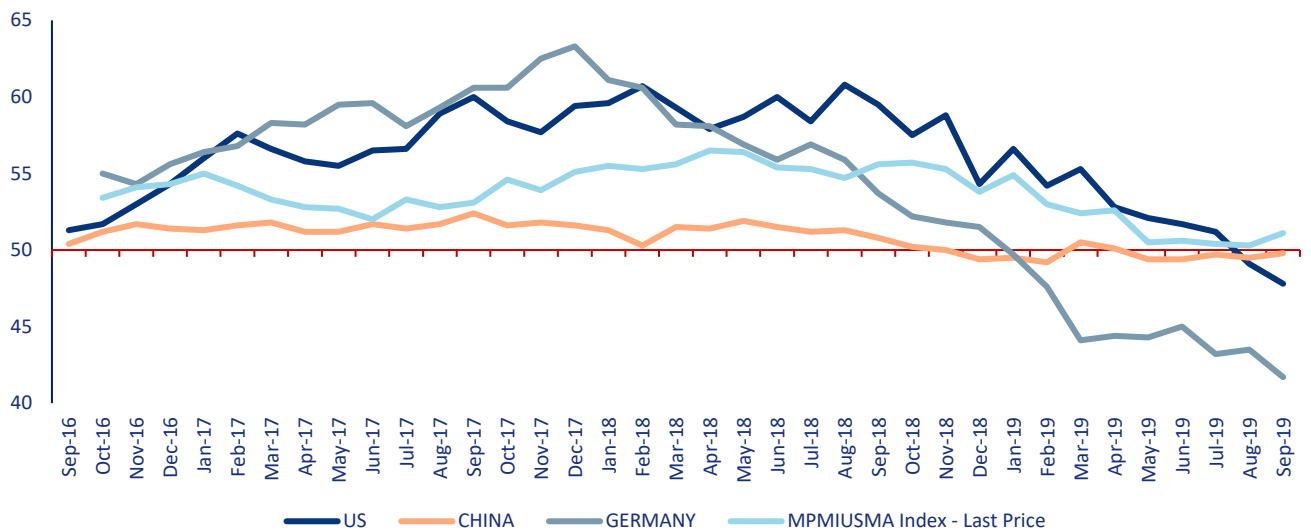
Source: Bloomberg

TRUMP BLAMES DOLLAR STRENGTH FOR WEAK MANUFACTURING GROWTH



Source: Bloomberg

US MANUFACTURING FOLLOWS GLOBAL TREND TO POST WORST NUMBERS IN A DECADE



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.09	2.06	2.03			
EURIBOR	-0.42	-0.39	-0.33			
EIBOR	2.43	2.38	2.47			
SAIBOR	2.35	2.36	2.36			
US Treasuries				1.55	1.51	1.66
Germany Bunds				-0.77	-0.78	-0.56
UK Gilts				0.33	0.25	0.47
Mid Swaps (MS)			1.78	1.59	1.48	1.56

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	55.00	-0.13	-37.04
I Traxx Europe Crossover	234.52	2.86	-33.51
CDX North America IG		0.85	-30.89
CDX North America HY	355.43	5.29	-20.89
CDX Emerging Markets	210.07	2.74	0.99

Source: Bloomberg

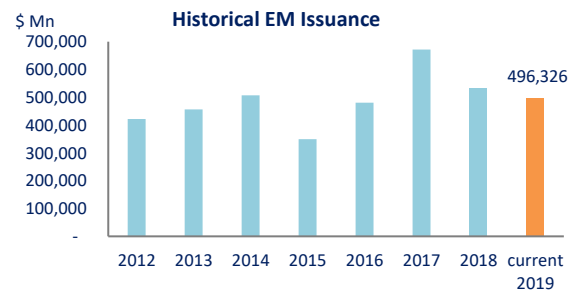
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.76%	-	-0.1%	8.5%
GCC Credit	3.3%	164	0.1%	12.9%
Global High yield	5.40%	402	0.0%	11.1%
USD Emerging Market	4.96%	328	0.0%	10.8%
US Government	1.67%	-	0.2%	7.9%
USD Corporate Investment Grade	2.88%	116	0.2%	13.4%
BBG EUR Aggr Corp (Loc)	0.50%	99	0.1%	7.5%
USD EM Sovereign	5.83%	409	-0.1%	10.9%
USD EM Corporate	4.90%	328	0.1%	10.5%
Local EM Sovereign	3.88%	39	-0.3%	5.0%

Source: Bloomberg

EMERGING MARKETS PRIMARY ISSUANCE

	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

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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.

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