



Risk assets across Asia are trading mixed this morning as optimism wanes on the freeze on tariffs by the US on China, but managed to push US indices to record highs overnight. Comments by the US on another \$4 billion of EU goods could come under tariff pressures also resulted in pushing European peripheral bond yields lower. The benchmark German Bund yields dropped to record lows to minus 36bp while Italian BTPS saw a dramatic drop in yields (-13bp) to 1.96%.

Gold trading at \$1390 per troy ounce while WTI and Brent at \$58.99 and \$65.03 respectively, at the time of writing. US yield curve remain inverted at a spread of -16bp (Ten-year minus three-months).

Burgan bank has released price guidance on their USD perpetual NC5 Tier-1 capital securities at low 6's. The issue is expected to be priced today. Moreover, Bank of Bahrain and Kuwait (B.S.C) has also released price guidance at MS+high 300s. A rare issuer in the GCC sector, BBK issued a \$400m transaction back in March 2015 with a 3.50% fixed coupon that matures March 2020.

The Kingdom of Saudi Arabia acting through the Ministry of Finance, rated A1 (stable) by Moody's and A+ (stable) by Fitch, has mandated several banks for a potential bond issuance subject to market conditions. A Euro-denominated dual-tranche 8- and 20-year Regulation S / Rule 144A benchmark senior notes could follow. Our fair value estimates are within the range of 1.25% to 1.35% and 2.05% to 2.15% respectively for the 8Y and 20Y maiden Euro-denominated transactions.

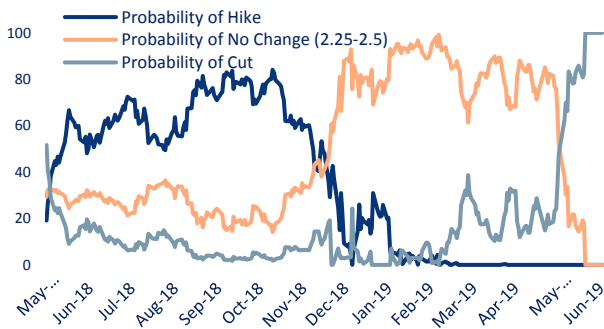
With the Federal Reserve's dovish hinge towards a cut in interest rates at its next meeting, speculative-grade (High-Yield) and high-grade (Investment-Grade) debt have rallied alongside other risk assets. Oil prices have also surged supporting returns in oil-focused credits across broader emerging markets bonds. Major benchmark credit indices - CDX EM tightened YTD significantly to 168bp. The spreads on GCC credit has held relatively supported at 170bp in spite of the heightened middle-eastern tensions. That said, the recent hybrid transaction by Sharjah Islamic Bank saw order books close to ten times oversubscribed, which remains a testimony towards the demand for higher-yielding assets in relation with the \$13 trillion of negative yielding of outstanding debt.

Vietnam Prosperity Joint-Stock Commercial Bank is considering a dollar bond offering, which if completed would make it the first by a Vietnamese borrower in more than four years. Issuance in the Asia dollar bond market is running at record pace in 2019 as yields fall.

US Payrolls data this week would be key as market participants would cautiously examine the prospects if the FED would use any softening data for policy action or wait till September for further rationalizing to lower the key benchmark interest rates. The median of economists surveyed by Bloomberg is for payrolls to gain 160,000 and average hourly earnings to accelerate by 3.2%.

China-Hong Kong Bond Connect program added 91 new overseas institutional investors in June. Total trading volume rose 8.6% to 172.2 billion yuan from a month ago, out of which 60.7% were bond purchases.

MARKET PRICING ON THE NEXT FED'S FOMC



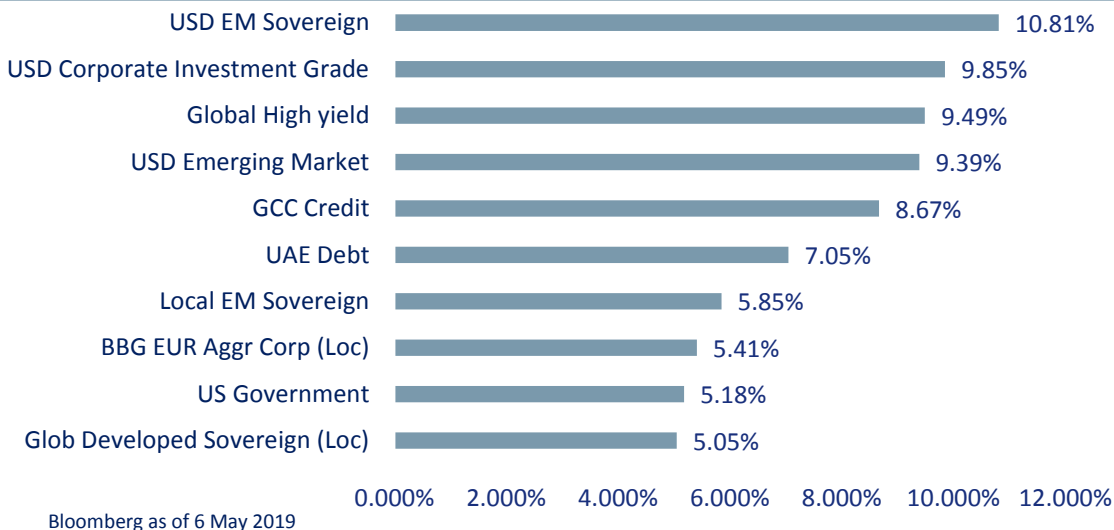
Source: Bloomberg

EM CDX HOLDING WELL



Source: Bloomberg

YTD BOND PERFORMANCE



INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.32	2.20	2.18			
EURIBOR	-0.35	-0.31	-0.21			
EIBOR	2.61	2.76	3.08			
SAIBOR	2.71	2.72	2.76			
US Treasuries				1.77	1.77	2.01
Germany Bunds				-0.76	-0.69	-0.36
UK Gilts				0.60	0.62	0.81
Mid Swaps (MS)			2.04	1.82	1.77	1.97

CREDIT INDICES

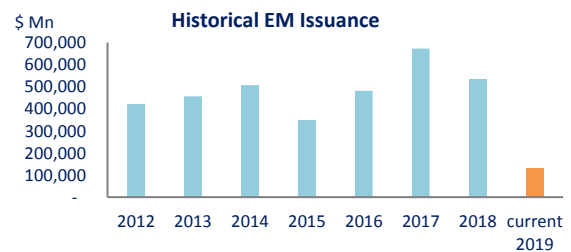
	Spread	Chg Day	Chg YTD
I Traxx Europe	51.09	0	-41.53
I Traxx Europe Crossover	248.73	0	-29.48
CDX North America IG	52.95	0	-39.94
CDX North America HY	320.13	0	-28.68
CDX Emerging Markets	161.39	0	-22.41

BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.94%	-	0.1%	5.6%
GCC Credit	3.6%	162	0.4%	9.2%
Global High yield	5.33%	373	0.2%	9.9%
USD Emerging Market	4.83%	285	0.3%	9.7%
US Government	1.96%	-	-0.2%	5.0%
USD Corporate Investment Grade	3.17%	113	0.0%	9.8%
BBG EUR Aggr Corp (Loc)	0.67%	101	0.2%	5.6%
USD EM Sovereign	5.38%	330	0.5%	11.4%
USD EM Corporate	5.00%	310	0.1%	8.8%
Local EM Sovereign	4.22%	46	0.2%	6.0%

EMERGING MARKETS PRIMARY ISSUANCE

	2018	current 2019 - mn
EM	\$533,322	\$128,821
ASIA	\$279,190	\$65,802
MENA	\$73,189	\$27,921
GCC	\$65,864	\$23,921
Sukuk	\$22,708	\$5,949



DESK VIEW: POSITIONING & STRATEGY

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

EXPECTED PRIMARY BOND SALES

Burgan Bank Perpetual	Low 6's
Kingdom of Saudi Arabia (EUR)	8Y & 20Y
Bank of Bahrain & Kuwait	MS+high300s

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