



The markets were caught in a tussle between dovish news related to central bank appointments, monetary policy responses while profit booking and disappointing economic data weighted on the market sentiments.

Trump will nominate Christopher Waller and Judy Shelton to the Fed's Board. Waller is the director of research at the St. Louis Fed and was a university professor. Shelton is a former Trump campaign adviser who has advocated a return to the gold standard. Both of them are dovish and are expected to support rate cuts earlier.

US 10 year yield (1.95%) dropped below 2% for the first time since 2016. S&P 500 hit another record high closing at 2973.01.

EU risk assets rejoiced the news of the appointment of IMF chief Christine Lagarde succeeding Mario Draghi as the president of ECB. She will be the first woman to run euro-area monetary policy just as the bloc's economy looks in need of fresh stimulus. German bunds extended their move further into negative territory with the benchmark 10-year yield hitting -0.371%. BTPs tightened by another 12 bps yielding 1.835%. Italian yields fell as Italy's deficit target was cut to 2% from 2.4% to avoid an EU deficit procedure. The spread to Germany bunds shrank 10bp to 222bp.

The Reserve Bank of Australia cut key interest rates to a record low of 1%, in its first consecutive monthly reductions since 2012. The RBA stated that depending on developments in the labour market, it might adjust monetary policy further if needed to support

sustainable growth in the economy and the achievement of its inflation target over time.

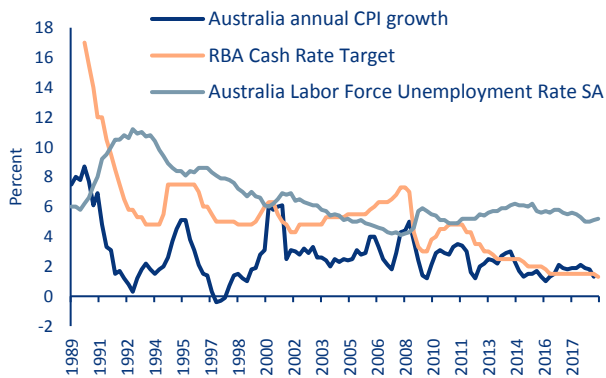
Middle East markets responded enthusiastically to the bond issuance with all the bond IPOs being oversubscribed. Leading the primary market was the Kingdom of Saudi Arabia with its 3 Bn Euro being oversubscribed by 5 times (order book of 14.5 Bn) with 8Y and 20 Y bonds being priced at 0.78% and 2% respectively.

Burgan Bank's AT1 perps were priced at 5.75% in line with our estimates yesterday and were oversubscribed by five times. Another rare financial sector issuer Bank of Bahrain and Kuwait (BBK) saw its bonds being oversubscribed 2 times and was priced at 5.5%.

Oil has swung between gains and losses this week as initial optimism that the OPEC+ coalition would extend their production deal was eclipsed by concerns about global growth. The group agreed on Tuesday to prolong cuts into 2020. WTI was trading at 56.38 with Brent at 62.54 at the time of writing. Gold gained overnight and was trading at 1,428.48 per troy ounce.

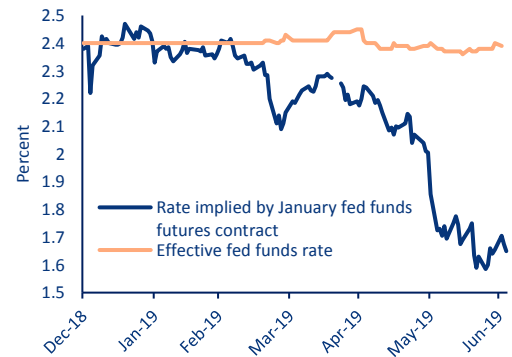
The Bank of Japan made changes to its bond purchases across three maturity zones, after signalling last month that it is seeking to address a flattening yield curve. The central bank cut purchases of securities maturing in the three-to-five year zones by 20 billion yen (\$186 million) at Wednesday's regular operation, to 380 billion yen. That marked the first reduction in the sector since June 2018.

ECONOMIC DATA WARRANTED RATE CUTS IN AUSTRALIA



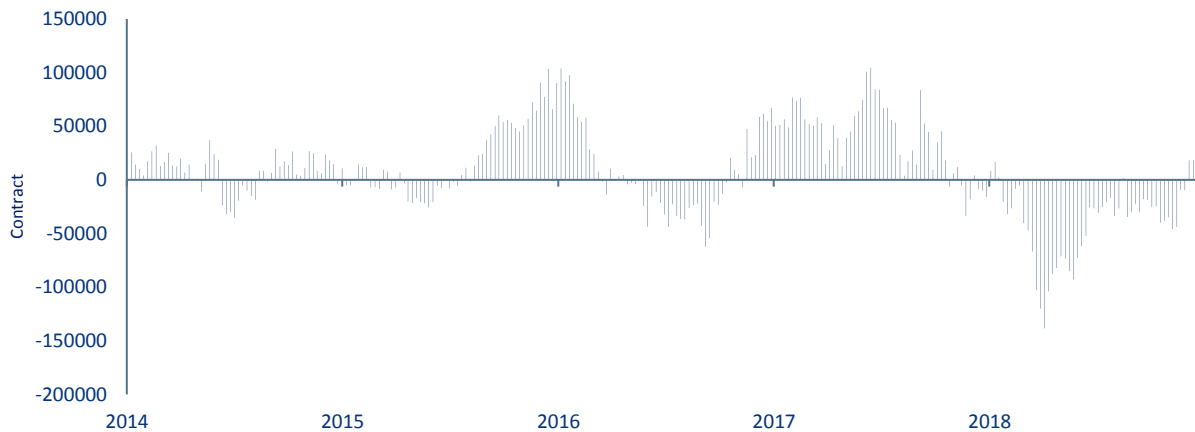
Source: Bloomberg

FED UNDER FURTHER PRESSURE



Source: Bloomberg

LONG BETS ON US TREASURIES HAVE RISEN



INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.33	2.22	2.20			
EURIBOR	-0.35	-0.31	-0.22			
EIBOR	2.61	2.86	3.13			
SAIBOR	2.71	2.71	2.76			
US Treasuries				1.74	1.72	1.95
Germany Bunds				-0.76	-0.69	-0.37
UK Gilts				0.51	0.52	0.72
Mid Swaps (MS)			2.00	1.78	1.70	1.89

CREDIT INDICES

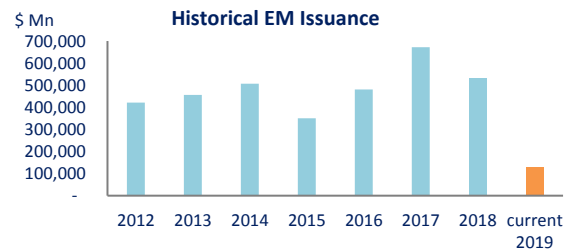
	Spread	Chg Day	Chg YTD
I Traxx Europe	49.92	-1.17	-42.86
I Traxx Europe Crossover	244.84	-3.89	-30.58
CDX North America IG		0	-40.59
CDX North America HY	319.62	-0.51	-28.85
CDX Emerging Markets	163.73	2.34	-21.29

BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.92%	-	0.2%	5.8%
GCC Credit	3.5%	164	0.2%	9.3%
Global High yield	5.35%	381	0.0%	10.0%
USD Emerging Market	4.81%	286	0.1%	9.9%
US Government	1.92%	-	0.3%	5.3%
USD Corporate Investment Grade	3.13%	113	0.4%	10.2%
BBG EUR Aggr Corp (Loc)	0.65%	100	0.1%	5.7%
USD EM Sovereign	5.36%	333	0.1%	11.5%
USD EM Corporate	4.96%	311	0.2%	9.0%
Local EM Sovereign	4.20%	46	-0.3%	5.7%

EMERGING MARKETS PRIMARY ISSUANCE as of Q1 19

	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	Underweigh
Emerging Markets	Overweight
GCC Bond/Sukuk	Overweight

EXPECTED PRIMARY BOND SALES

Burgan Bank Perpetual	Priced (5.75%)
Kingdom of Saudi Arabia (EUR)	8Y (0.78%) & 20Y (2%)
Bank of Bahrain & Kuwait	Priced (5.5%)

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