



Treasuries bear steepened for the second consecutive session as long duration bonds led the declines, spurred by a better-than-expected reading on the ISM non-manufacturing gauge. US Treasury yields (1.85%) were higher by around 8-9bp from 7- out to 30-year region of the yield curve, while front-end of the curve cheapened around 5bp. A solid 3-year auction was met with yields near cheapest levels of the session, helping the curve hold steepening shape ahead of looming 10- and 30-year supply later in the week.

US high -yield bond returns hit a year-to-date high of 12.1%, and yields dropped back again to near two-year lows amid hopes that a trade deal between the U.S. and China is nearing. The risk on sentiment which pushed US equity indices to new record highs were a supporting and driving factor.

China's first EUR bond issuance yesterday was a hit with global investors. The total order books stood were oversubscribed by 5 times. Issue size was fixed at EUR 2Bn for the 7-year duration and EUR 1 Bn for the other two durations. Final spreads were MS+30bp, 40bp and 58bp respectively.

Emergency proposal presented in the Brazilian Congress gives the federal, state and municipality governments two years to recover their financial health in the event of a crisis. It includes measures such as suspending wage increases above inflation, reduction of a quarter of the workload along with proportional salary adjustments. Trajectory of public debt will indicate the fiscal targets to be met. The triggers for these measures will be activated if new debt reaches the level of investments for federal government.

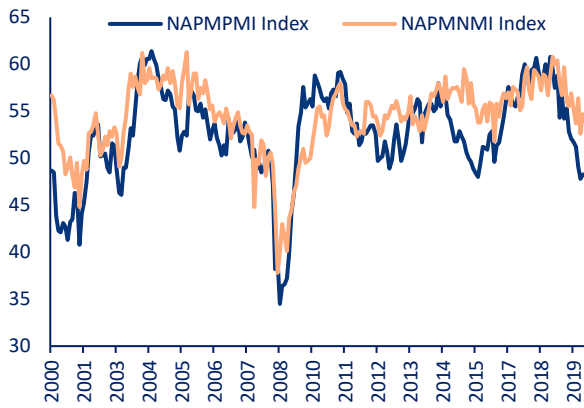
Bloomberg Economics forecasts a brief overshoot of the RBI's 4% consumer-price-index inflation target from October to January on volatile onion and tomato prices. Beyond that, it sees the rate dropping to around 3.5% on subdued core inflation. Bloomberg also expects a further 65 Bps cut with the repo rate at 4.5% by Feb 2020 compared to the 5.15% level now.

Yes Bank's 3.75% USD notes due February 2023 gained 2.3 cents on the dollar to 91.3 cents on speculation after Billionaire Rakesh Jhunjhunwala purchased 0.5% stake in the bank for INR 87 Crore ( USD 12. 4Mn). The banks' credit costs have doubled in Q3 2019 and even the delinquencies have increased. Yes Bank is aiming to finish a USD 1.2 Bn equity raising exercise by December according to various news reports.

The ISM non-manufacturing index improved 2.1 points to 54.7 in October. The index, which is at a level consistent with expansion, signals that broad economic activity is holding up despite manufacturing activity remaining in contraction in October.

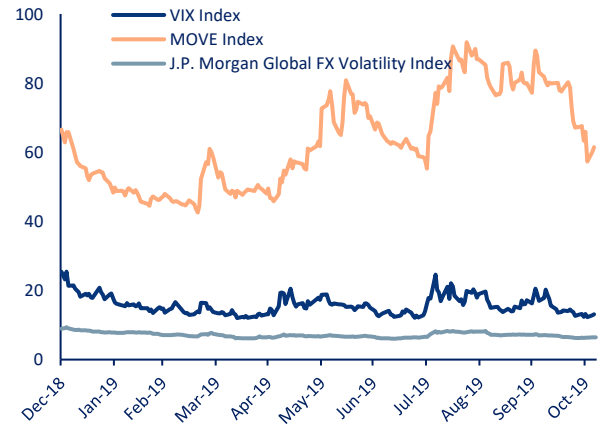
Regional Federal Reserve presidents including Charles Evans, John Williams and Patrick Harker speak at events today.

NON-MANUFACTURING PMIS HOLDING UP



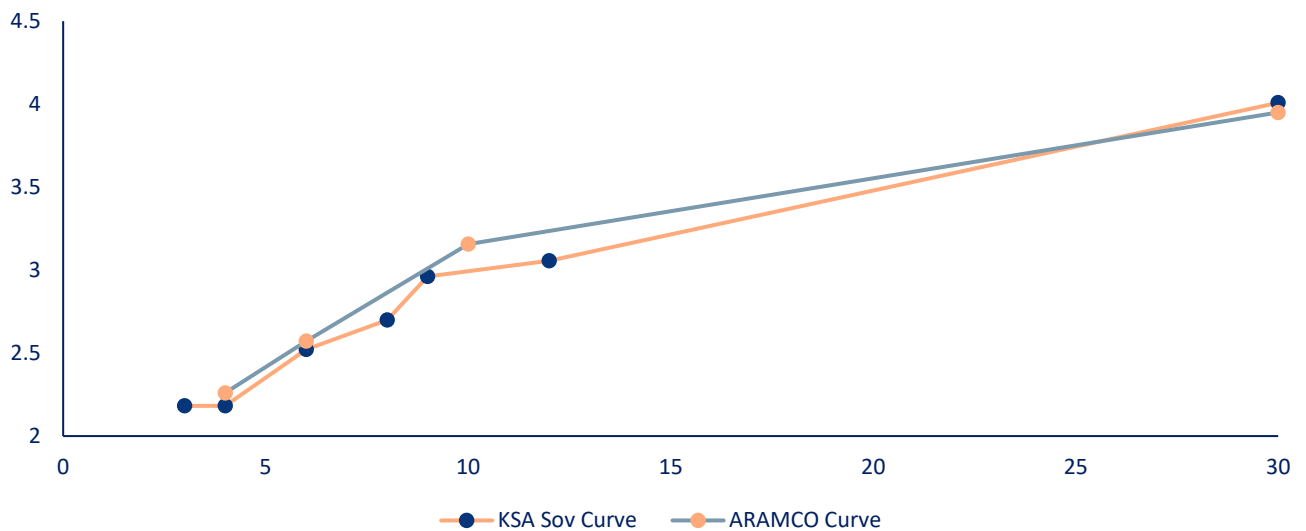
Source: Bloomberg

VOLATILITY FALLING ACROSS ASSET CLASSES



Source: Bloomberg

KSA - ARAMCO YIELD CURVES



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
<b>LIBOR</b>	1.91	1.92	1.96			
<b>EURIBOR</b>	-0.40	-0.34	-0.28			
<b>EIBOR</b>	2.17	2.32	2.34			
<b>SAIBOR</b>	2.23	2.25	2.28			
<b>US Treasuries</b>				1.62	1.66	1.85
<b>Germany Bunds</b>				-0.64	-0.57	-0.31
<b>UK Gilts</b>				0.58	0.55	0.77
<b>Mid Swaps (MS)</b>			1.76	1.66	1.63	1.77

Source: Bloomberg

### CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	48.56	-0.09	-44.42
I Traxx Europe Crossover	228.48	2.28	-35.22
CDX North America IG		0.39	-40.90
CDX North America HY	325.56	1.01	-27.46
CDX Emerging Markets	192.54	3.59	-7.43

Source: Bloomberg

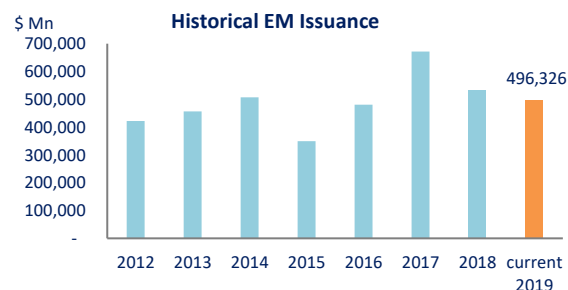
### BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.89%	-	-0.3%	7.5%
GCC Credit	3.3%	152	-0.3%	12.7%
Global High yield	5.27%	386	0.0%	12.0%
USD Emerging Market	5.01%	317	-0.3%	11.1%
US Government	1.81%	-	-0.4%	6.7%
USD Corporate Investment Grade	2.96%	107	-0.5%	12.8%
BBG EUR Aggr Corp (Loc)	0.62%	90	-0.1%	6.6%
USD EM Sovereign	5.95%	402	-0.5%	10.8%
USD EM Corporate	4.85%	309	-0.1%	11.4%
Local EM Sovereign	3.81%	30	0.1%	7.8%

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	Underweight
Emerging Markets	Overweight
GCC Bond/Sukuk	Overweight

### EXPECTED PRIMARY BOND SALES

Averda (5NC2)	Priced – 9.50%
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**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.

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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.

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