



The Chinese offshore Yuan is down 1%, and Chinese equities between -2% (Hong Kong) and -5% (onshore listed A-Shares). US equities futures are down -2%. It is justified as the risk of talks being simply cancelled is significant: Chinese authorities never accept to lose face and they can afford the face-off. Despite Mr Trump's tweet it's not China who pays the tariffs but US companies and consumers. This doesn't look like a tactical entry point, it could be serious, and given the level of valuations there is room to adjust. Oil price is also significantly down as KSA lowers prices on crude grades to the US.

President Trump announced on Twitter Sunday that the tariff rate on the \$200bn tranche of imports from China would rise from 10% to 25% on Friday. He also stated that all remaining imports from China not currently subject to tariff (approximately \$300bn) would be hit with a 25% tariff "shortly." The announcement comes days before a large delegation of Chinese officials led by Vice-Premier Liu He is scheduled to arrive in Washington on Wednesday.

Last week, the Federal Reserve maintained the fed funds rate unchanged characterizing economic growth as solid even as inflation remains tepid. Fed Chairman Powell said current indications point to a prolonged period of holding pat on increases or decreases in rates despite President Donald Trump has said he wants the Fed to cut rates by a full percentage point.

**US macroeconomic data supports the rich valuations on corporate spreads.** US payrolls growth surged in April with non-farm payrolls increasing by 263,000 jobs. The unemployment rate dropped to a multi-decade low of 3.6%. The average hourly earnings growth held at 3.2% annually and the monthly gains missed expectations to 0.2% from 0.3% increase. US ISM headline declined to 52.8 from 55.3, lower than expected. Manufacturing activity continues to be depressed as production managers struggle to alleviate a substantial inventory overhang which developed over the past few quarters. Meanwhile,

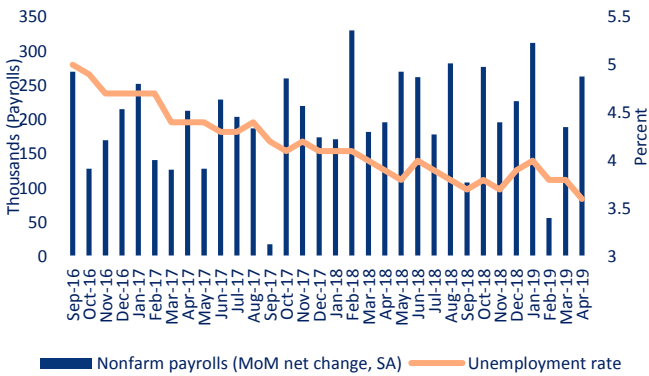
the survey comments point to a steady business outlook for the rest of the year. Corporate credit spreads across investment-grade and high-yield have been well supported at 112bp and 354bp respectively.

The maiden **Sukuk issuance by Saudi Telecom** earned a steady primary demand of \$4.5 billion from global investors. Saudi Telecom issued \$1.25 billion of senior unsecured US-Dollar denominated Sukuk with a ten-year tenor maturing in May 2029. Rated A1/A- by Moody's and S&P, the Murabaha structure was priced at MS+135bp which translates to a rate of 3.89%.

**Eurobonds from India – holding well.** India's Eurobond issuance has already surpassed last year's total in just the first four months of 2019, helped by easier global liquidity and the Reserve Bank of India's stance to allow non-banking finance companies (NBFCs) to borrow from the international capital markets. So far YTD, Indian companies have issued \$9.4 billion of dollar bonds led by diverse issuers such as State Bank of India (\$1.25 billion), Shriram Transport Finance (\$900 million), Vedanta (\$1 billion), Indian Oil (\$900 million), Bank of Baroda (\$800 million) and JSW Steel (\$500 million).

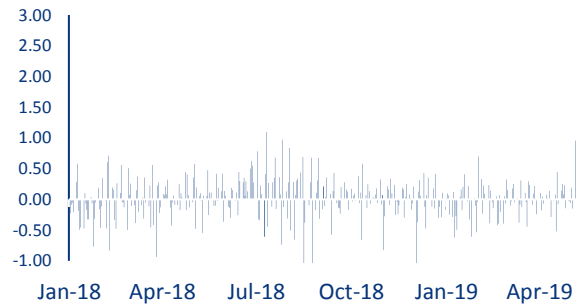
**LIBOR, a radical transformation.** The global benchmark is set to be phased out by 2022, to shift from being submission-based to transaction-based, an evolution triggered by the UK FCA back in 2017. The key alternative overnight (O/N) benchmark rates have already been selected across the five largest currency areas: 1) Secured overnight financing rate (SOFR) in the U.S.; 2) Sterling O/N index average (SONIA) in the UK; 3) euro short-term rate (ESTER); 4) Swiss average O/N rate (SARON); 5) Tokyo average O/N rate (TONA). Presently, there are close to \$400 trillion of transactions linked to LIBOR.

## US UNEMPLOYMENT: A MULTI DECADE LOW



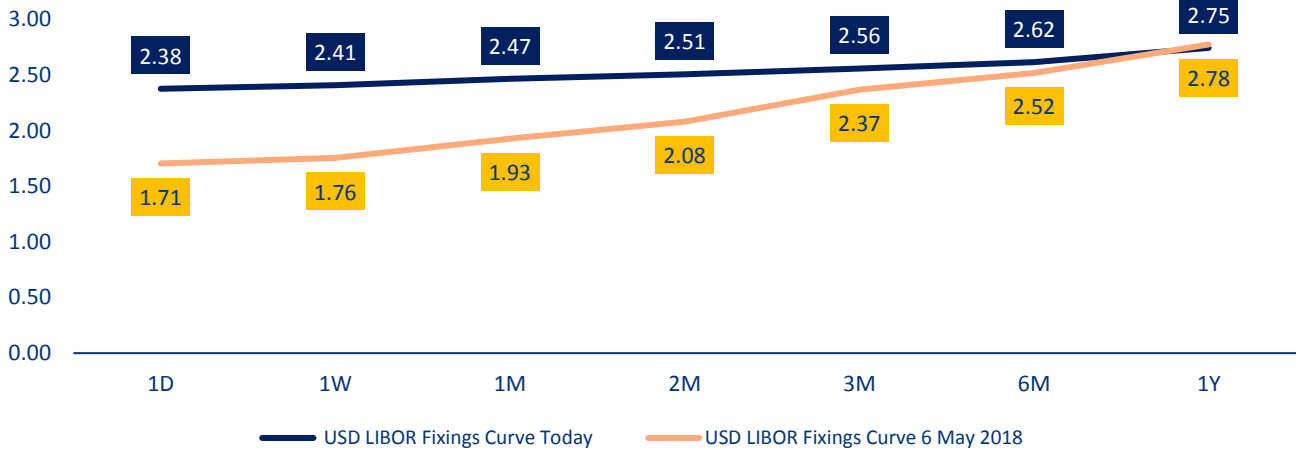
Source: Bloomberg

## USD-CNH CROSS RATE – PRICE CHANGE 1DAY %



Source: Bloomberg

## USD LIBOR CURVE



Bloomberg as of 6 May 2019

## INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.56	2.62	2.75			
EURIBOR	-0.31	-0.23	-0.11			
EIBOR	2.79	2.89	3.20			
SAIBOR	2.85	2.95	3.12			
US Treasuries				2.33	2.32	2.53
Germany Bunds				-0.59	-0.41	0.03
UK Gilts				0.79	0.94	1.22
Mid Swaps (MS)			2.56	2.44	2.30	2.50

## CREDIT INDICES

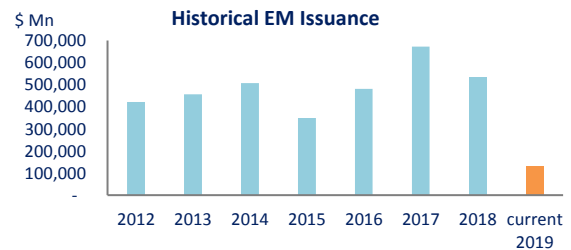
	Spread	Chg Day	Chg YTD
I Traxx Europe	58.20	0	-33.39
I Traxx Europe Crossover	251.49	0	-28.70
CDX North America IG	57.88	0	-30.33
CDX North America HY	323.85	0	-27.86
CDX Emerging Markets	187.10	0	-10.05

## BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.24%	-	0.0%	2.4%
GCC Credit	4.0%	153	0.1%	5.8%
Global High yield	5.70%	370	0.1%	8.3%
USD Emerging Market	5.33%	285	0.2%	6.0%
US Government	2.46%	-	0.1%	1.7%
USD Corporate Investment Grade	3.64%	112	0.2%	5.5%
BBG EUR Aggr Corp (Loc)	0.92%	98	0.0%	3.5%
USD EM Sovereign	6.00%	345	0.2%	6.3%
USD EM Corporate	5.36%	295	0.1%	6.3%
Local EM Sovereign	4.68%	48	0.1%	1.2%

## 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

	Tactical	Strategic
Global Investment Grade	Overweig	Neutral
US High Yield	Neutral	Neutral
Emerging Markets	Overweig	Overweig
GCC Bond/Sukuk	Overweig	Overweig

## EXPECTED PRIMARY BOND SALES

Majid Al Futtaim	Sukuk
Yankuang Group	Tap
Delhi Airport Services	Mandate announcement

## CONTACT US



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