



Treasury futures opened higher after Chinese officials were said to be reluctant to commit to a broad trade deal demanded by Washington. Benchmark US yields are currently supported at 1.52% while UK Gilts holding at 0.43%. The Japanese Government bonds gained briefly as BOJ maintained their bond purchases. Oil futures edged lower after losing 5.5% last week.

Federal Reserve announced on Friday that they would extend the overnight and term repo operation through October in an effort to reduce volatility in the markets. The effective Fed Funds rate fell to 1.83% from 1.85% on Thursday. This indicates that FED will not go "Cold Turkey" on the markets and soft funding is the order of the day. The reduction of this operation is also expected to be gradual when FED decides the time to stop. Fed officials are to set release their minutes and speak this week.

Prospects of a Brexit deal faded after talks between the two sides stalled and European leaders cast doubt on reaching an agreement in time for Oct. 31. The UK Prime Minister Boris Johnson doubled down on his commitment to leave the EU by 31st October regardless of a deal. But this is contradictory to the earlier message by Johnson where government officials had confirmed that the UK Government will obey a law passed by the parliament compelling the premier to request a Brexit delay if he can't get an agreement by Oct. 19.

The relative calm of Emerging Markets last week is set to change on the basis of renewed trade tensions. The U.S. and China are set to restart high-level trade negotiations in Washington on Thursday and Friday, with investors sceptical of a breakthrough as President Donald Trump battles Congress over its impeachment inquiry. Before that the investors will look for clues in Jerome Powell's speeches on Tuesday and Wednesday about a possible rate cut in the October FOMC meeting. The odds of a rate cut have significantly risen after weak job growth and manufacturing data last week.

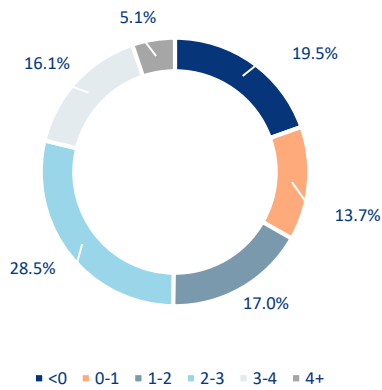
The next week is expected to be a busy week in bond's issuance post opening of markets in China. Thai Oil is expected to issue 10Y/30Y bonds and Posco is expected to sell USD 500 Mn of 5Y Bonds. ICBC Financial Leasing's investor roadshows are already underway. Similarly, Indian issuers Bharti Airtel and HPCL-Mittal have started roadshow and hired banks respectively. ONGC has set up a USD 2 Bn bond program. Industrial Bank of Korea would start a roadshow for issuance of 3Y/5Y bonds from 4th October. In the Mena region, Dar Al-Arkan (KSA real estate Company) is expected to raise a USD-benchmark sized, Long-5 year fixed-rate senior unsecured Sukuk. The Kingdom of Saudi Arabia is also expected to return to capital markets for a Sukuk Sale

Mutual funds with exposure to Indian local currency bonds have found it difficult to exit the NBFC sector exposure as liquidity has dried up in the system that threatens everyone from individual investors to conglomerates with money in the funds, underscoring broader risks to policy makers already grappling with an economic slowdown. RBI's recent rate cut might not be sufficient to revive the economy unless there is enough confidence in the underlying strength of the broader markets by the investors.

Indonesia foreign reserves fell to \$124.3bn from \$126.4 due to Thee Government debt repayment needs and a decline of FX deposits held at Bank Indonesia. The reserves currently translate to a 7-month of imports and repayment of Governments external borrowings. The yields across the sovereign curve has risen marginally in the last few days. The current 5-year CDS is well supported at 92bp.

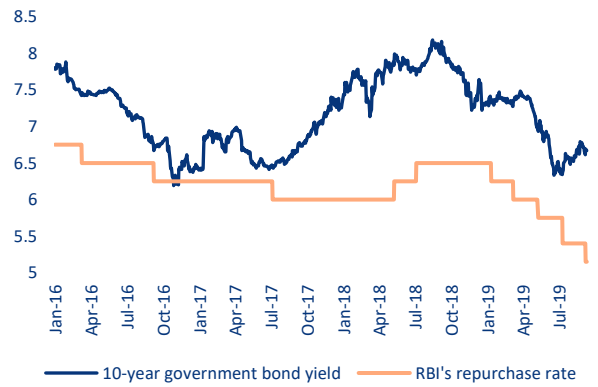
Corporate Investment-grade rated Asian dollar bonds have outperformed (+11.30%) high yield bonds (+10.9%) as concerns about global growth re-emerged and underlying Treasury yields retreated. With continued uncertainty on trade and the world economy.

YIELD DISTRIBUTION OF BLOOMBERG GLOBAL AGGREGATE TR INDEX



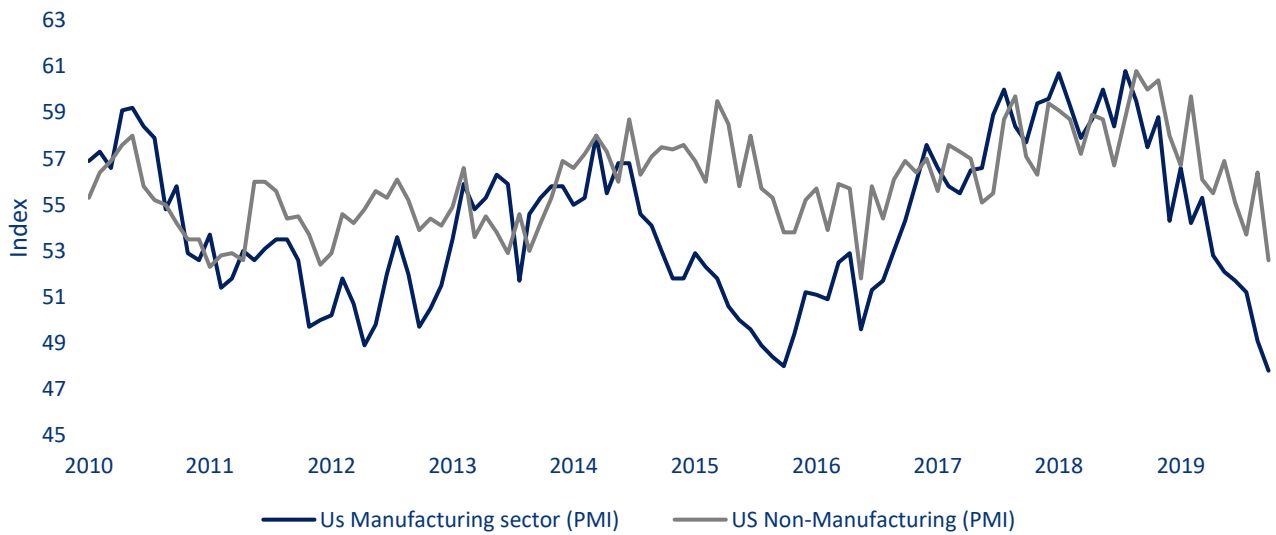
Source: Bloomberg

MULTIPLE RATE CUTS BY RBI THIS YEAR



Source: Bloomberg

US MANUFACTURING FOLLOWS GLOBAL TREND



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.03	1.95	1.85			
EURIBOR	-0.42	-0.39	-0.34			
EIBOR	2.29	2.34	2.33			
SAIBOR	2.34	2.33	2.34			
US Treasuries				1.40	1.34	1.52
Germany Bunds				-0.78	-0.79	-0.59
UK Gilts				0.34	0.25	0.44
Mid Swaps (MS)			1.66	1.44	1.33	1.44

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	57.67	-1.63	-33.99
I Traxx Europe Crossover	248.39	-5.13	-29.57
CDX North America IG		-2.48	-31.35
CDX North America HY	356.49	-10.58	-20.59
CDX Emerging Markets	209.24	-2.93	0.59

Source: Bloomberg

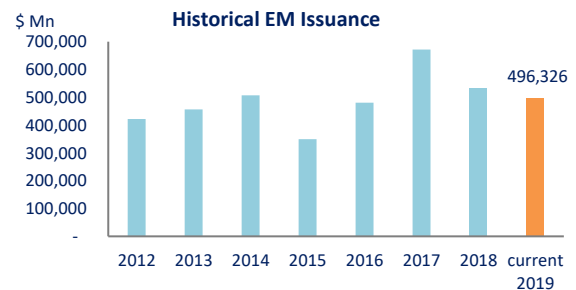
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.69%	-	0.1%	9.1%
GCC Credit	3.2%	175	0.3%	13.2%
Global High yield	5.60%	435	0.1%	10.7%
USD Emerging Market	4.92%	338	0.3%	11.3%
US Government	1.53%	-	0.1%	8.8%
USD Corporate Investment Grade	2.78%	120	0.2%	14.1%
BBG EUR Aggr Corp (Loc)	0.51%	102	0.1%	7.4%
USD EM Sovereign	5.78%	418	0.4%	11.5%
USD EM Corporate	4.92%	345	0.1%	10.8%
Local EM Sovereign	3.83%	39	0.7%	6.2%

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

HPCL-Mittal Energy	Mandate Announcement
Bharti Airtel (PNC5.5)	Roadshows



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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