



Short-term US treasury bills posted gains amid J.Powell's announcement that the central bank will resume purchase of Treasuries in order to calm funding markets. He also cautioned the markets against interpreting this signal as start of another round of Quantitative Easing (QE). The market implied probability for a 25bp cut at this month's FOMC is now 79%. However, the recent speeches by the voting members and US data releases suggest otherwise. FED may like to reserve ammunition for another rate cut in December.

UST yield curve bull steepened with 2yr-10yr spread at 11 bps as of yesterday's close as compared to 8 bps a day earlier. Long dated 30-year treasuries were little changed. The UST 10Y yields are currently at 1.53%. The Bunds and Gilts are holding on to the stellar recent gains and yielding at -0.59% and 0.41% respectively. Gold benefited from the safe haven flows, rising to USD1506oz at the time of writing.

US China trade rattles up influencing sentiment across global financial markets. Markets reacted negatively to announcements that the US is examining limits on public retirement funds investment in Chinese stocks, and has created a targeted 'blacklist' of Chinese companies. Overnight, broader indices closed lower followed by this morning trading session across Asia. Bond markets are holding up as investors seek refuge through safe haven bonds.

The US producer price index (PPI) fell 0.3% m/m in September on both a headline and core basis, the biggest drop since February 2015. The annual rate of core PPI growth slowed to 2.0%, a two year low. The data suggests that firms are absorbing the cost of new tariffs rather than passing them on. Furthermore, the NFIB small business confidence index fell to 101.8 in September from 103.1. Plans to hire fell to 17% from 20% and the balance of firms expecting a better economy fell to 9% from 12% (and as high as 20% in July).

Australian consumer sentiment is at the lowest point in the last three years. The policy makers might be worried that

even after three rate cuts and the lowest ever benchmark rate at 0.75%, the economic sentiment has not improved putting a question mark on the effectiveness of monetary policy actions without coordinated fiscal stimulus to drive the economy.

India's inflation likely accelerated in September on a seasonal jump in food prices and a lower year-earlier base. Even so, it probably stayed below the mid-point of the Reserve Bank of India's 2%-6% target range, where it has been since August last year.

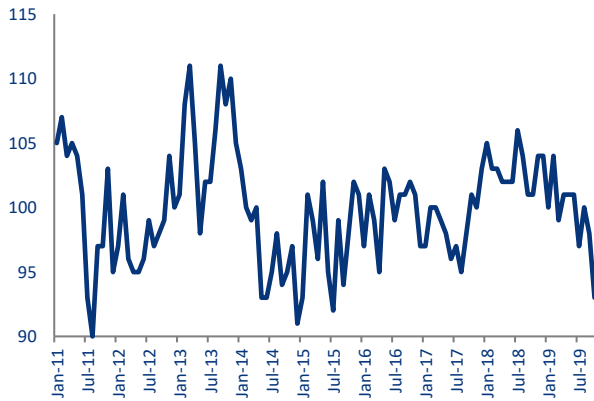
The Dubai PMI rose slightly to 52.6 in September, but the average reading for the third quarter was the lowest since Q1 2016. This signals a slower rate of growth than the survey data pointed to in H1 2019. There was a marked deceleration in new order growth in Q3, with the September reading for this component the lowest since February 2016. Further price discounting, particularly in the wholesale & retail trade sector, likely contributed to a pickup in output growth last month. However, the survey suggests that on average there was no growth in private sector employment in Dubai Q3 2019. (Emirates NBD Research)

Dar Al-arkan, rated B1 by Moody's has released a price range of 7.25%-7.375% for their new Long-5Y Sukuk today. Books are open and the transaction is expected to price today.

Thai Oil Public Company (Rated Baa1/BBB+) has released guidance at T+180bp on their new 30 year Senior unsecured bond due today.

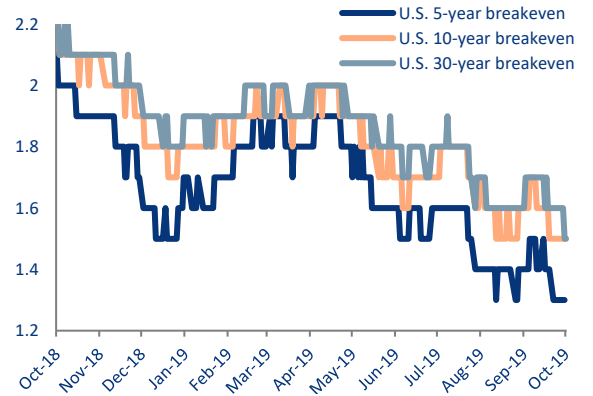
Corporate Investment-grade rated Asian dollar bonds have outperformed (+11.30%) high yield bonds (+10.9%) as concerns about global growth re-emerged and underlying Treasury yields retreated. With continued uncertainty on trade and the world economy.

LOW AUSTRALIAN CONSUMER SENTIMENT



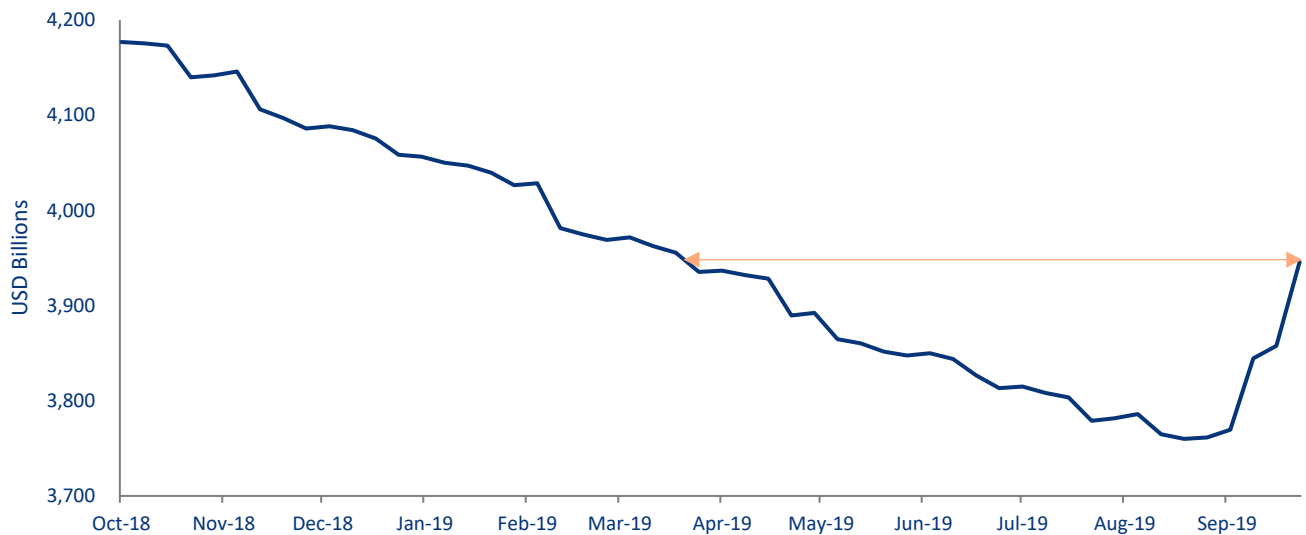
Source: Bloomberg

EXPECTED INFLATION MEASURES AT MULTI YEAR LOWS



Source: Bloomberg

FED BALANCE SHEET EXPANSION TO CONTINUE



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
<b>LIBOR</b>	2.01	1.96	1.87			
<b>EURIBOR</b>	-0.42	-0.39	-0.34			
<b>EIBOR</b>	2.29	2.45	2.33			
<b>SAIBOR</b>	2.32	2.32	2.32			
<b>US Treasuries</b>				1.42	1.36	1.53
<b>Germany Bunds</b>				-0.78	-0.80	-0.59
<b>UK Gilts</b>				0.31	0.22	0.41
<b>Mid Swaps (MS)</b>			1.66	1.46	1.34	1.45

Source: Bloomberg

### CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	59.29	1.22	-32.14
I Traxx Europe Crossover	258.91	6.39	-26.59
CDX North America IG		1.95	-28.10
CDX North America HY	368.19	8.09	-18.04
CDX Emerging Markets	215.52	1.42	3.61

Source: Bloomberg

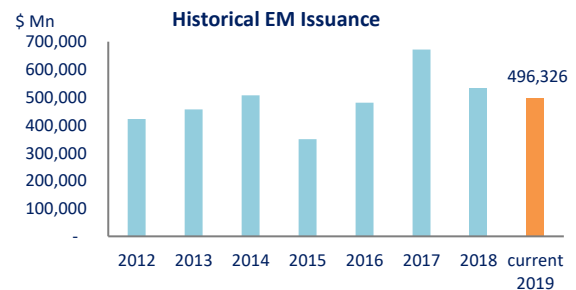
### BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.70%	-	0.0%	9.0%
GCC Credit	3.2%	174	-0.1%	13.1%
Global High yield	5.61%	435	-0.1%	10.7%
USD Emerging Market	4.94%	338	-0.1%	11.2%
US Government	1.55%	-	0.1%	8.7%
USD Corporate Investment Grade	2.81%	121	0.0%	13.9%
BBG EUR Aggr Corp (Loc)	0.50%	102	0.1%	7.5%
USD EM Sovereign	5.83%	420	-0.2%	11.3%
USD EM Corporate	4.91%	342	0.1%	10.8%
Local EM Sovereign	3.83%	38	-0.1%	6.0%

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
Dar Al Arkan (5 year sukuk)	IPT: 7.25%-7.375%



**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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