



Markets are anxiously waiting for Powell's testimony to Congress in order to gauge the possibility for a policy response at the next FOMC. In addition, the FOMC minutes for last month's meeting will be revealed on Wednesday. After last Friday's Payroll data, the market has recalibrated its rate cut expectations with 50 bps rate cut in July being almost ruled out and 25 bps cut being fully priced in. In case, Fed shocks the market with no rate cuts, the global HY and some of the EU Sovs might see a pull back. Hence, it is advisable to wait and watch July before taking fresh exposure to these securities.

Asian markets remain weak during early trading hours while futures are down this morning as investors wait for the minutes on June's FOMC. Gold holding at \$1395 while Brent and WTI are at \$63.96 and \$57.48 respectively. Treasury futures edge higher while the benchmark yields hover close to the 2% level. Large option block in Eurodollar gains attention, as bearish hedges are rolled out, while open interest suggest shedding of short-dated USTs. The treasury department is preparing for their 3, 10, and 30-year bond auctions this week starting today with a 3-year auction on \$38b. The total bond auction (10, 30-year reopen later this week) is \$78b, will be offset with just \$40b in redemptions and ~\$5b in coupons in the settlement week.

German bunds tightened due to the recovery in May Industrial production data after undergoing a sharp contraction in April 2019. The recovery was mainly driven by Durable consumer goods and Capital goods sector.

According to a Bloomberg survey of analysts, UK has probably gone through the first contraction in Q2 2019 since 2012. The analysts have predicted a contraction of 0.1% in UK's economy. This follows a series of lacklustre macro data in June. The market has priced in a rate cut by the BOE in line with other developed markets. There is an expectation of Bull Steepened in the UK Gilts.

Benchmark UK Gilts and Greek bonds advanced overnight to 0.71% and 2.03%. The spread between Greece 10 year bonds and the German bunds reached a low of 243 bps on 3rd July and remains tight while the difference between similar tenure CDS for both the countries are now at 300 bps signalling that markets have moved away from fundamentals while pricing the bonds more on technical basis.

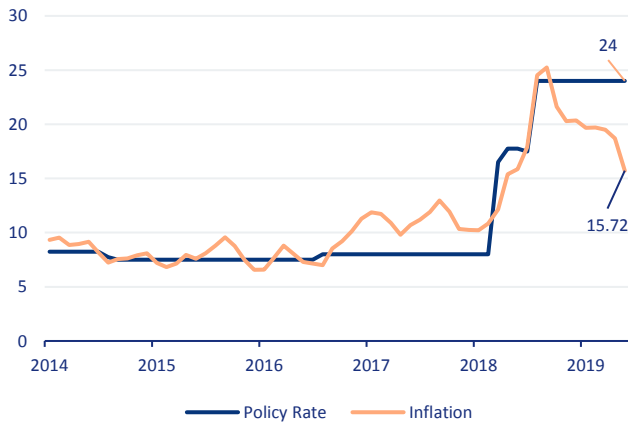
Local geopolitical tension continues as IAEA has confirmed that Iran has breached the enrichment levels set in the 2015 accord. Iranian officials have threatened to increase the enrichment levels even more. France is currently acting as the peacemaker and trying to salvage the situation. The Barclay's GCC Total Return Index has returned 9.55% YTD.

Turkey's real rates have reached the highest point in the last 5 years due to easing of inflation. With new appointments in the central bank, the markets anticipate a rate cut sooner.

Asia's hard currency bond market has opened with a massive supply this week so far with issuers looking to opportunistically raising debt at lower funding costs. Several corporate issuers are looking to price dollar bonds today (Please refer our Primary Bond Issuance for further details). Tokyo-based Mizuho Financial Group Inc. is marketing a multi-tranche deal, with Chinese and Korean issuers also on the slate. Issuers sold more than \$7 billion in securities Monday, easily surpassing sales for all of last week.

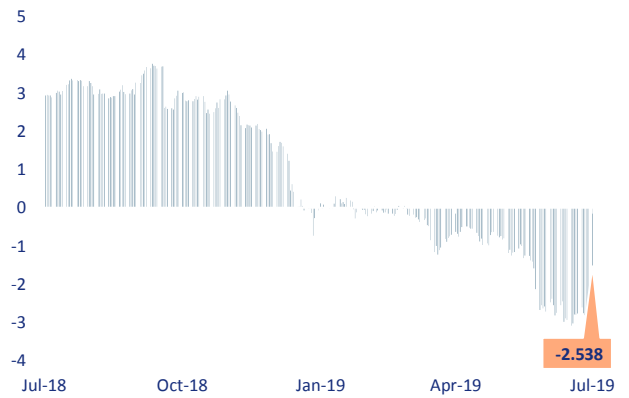
Indian Government bonds posted modest declines breaking a five-day rally that pushed sovereign yields to the lowest since 2017. Indian states will sell a combined 76 billion rupees (\$1.1 billion) of bonds. Overseas funds are awaiting clarification on whether a new tax surcharge would apply to them.

TURKEY'S REAL RATES THE HIGHEST IN THE LAST 5 YRS



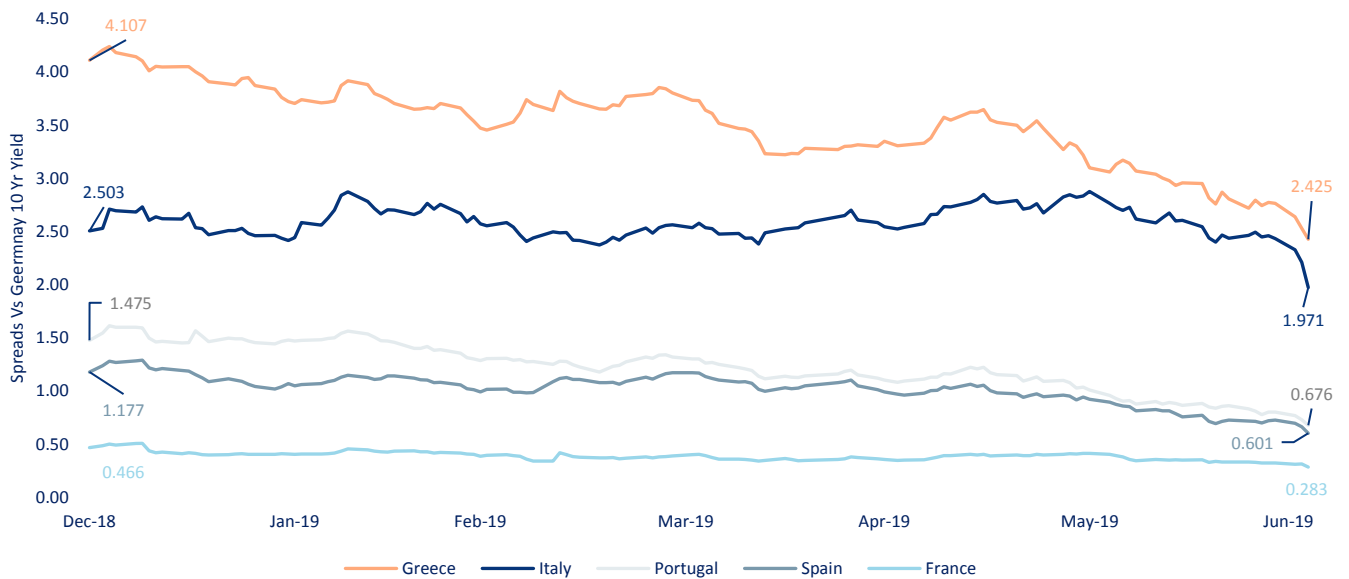
Source: Bloomberg

MARKET PARES RATE CUT (US) EXPECTATTIONS FOR 2019



Source: Bloomberg

EU SOVS HAVE TIGHTENED SIGNIFCANTLY YTD PROPELLED BY DOVISH MONETARY POLICY OUTLOOK



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.31	2.21	2.19			
EURIBOR	-0.36	-0.34	-0.27			
EIBOR	2.57	2.88	2.99			
SAIBOR	2.70	2.71	2.75			
US Treasuries				1.87	1.84	2.04
Germany Bunds				-0.74	-0.63	-0.37
UK Gilts				0.54	0.52	0.71
Mid Swaps (MS)			2.09	1.90	1.82	1.98

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	51.20	0.84	-41.40
I Traxx Europe Crossover	247.91	3.22	-29.71
CDX North America IG		1.53	-37.66
CDX North America HY	328.99	7.95	-26.72
CDX Emerging Markets	167.33	4.10	-19.56

Source: Bloomberg

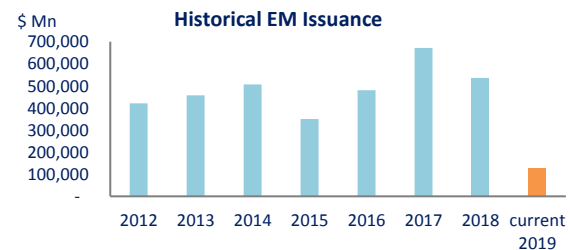
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.94%	-	-0.3%	5.8%
GCC Credit	3.5%	156	-0.1%	9.5%
Global High yield	5.34%	370	0.0%	10.1%
USD Emerging Market	4.83%	280	-0.2%	9.8%
US Government	2.01%	-	-0.6%	4.9%
USD Corporate Investment Grade	3.20%	112	-0.6%	9.8%
BBG EUR Aggr Corp (Loc)	0.64%	97	-0.2%	5.9%
USD EM Sovereign	5.37%	327	-0.2%	11.5%
USD EM Corporate	4.98%	303	-0.1%	9.0%
Local EM Sovereign	4.15%	46	-0.4%	6.0%

Source: Bloomberg

EMERGING MARKETS PRIMARY ISSUANCE

	2018	March 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

Korea Gas	CT10+ 120bps Area
Haitong International Sec. group Ltd	T+185bps Area
Logan Property Holdings Company Ltd	7.00% Area
Times China Holdings	7.375% Area
DP World	Announcement



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