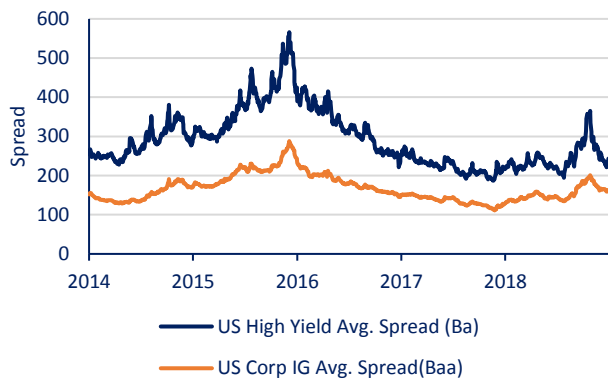




## FIXED INCOME DESK — A BUSY WEEK

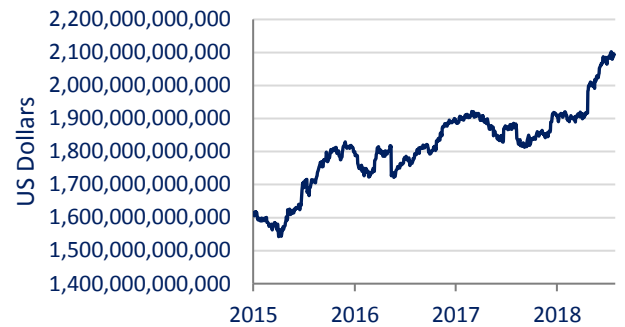
- A mixed opening on risk assets this morning in Asia with China and Japan leading gains on the board. US Treasuries maintaining its stance (2.63%) post Powell's comments while Gold hovering close to \$1300. Last week, an eventful week with flux on sentiment from ECB's downbeat economic assessment and mixed US payrolls report propping demand for safe-haven assets. US Treasuries were key beneficiary with yields dropping 9bps to back to 2.62%.
- The dovish tone by policymakers in the APAC region on their underlying economic front also triggered a rally, particularly on the Australian and New Zealand bonds pushing yields 13-16 bps lower to 2.02% and 2.05%. The ECB revised down growth and inflation forecasts, stating that the Eurozone growth momentum has weakened substantially. Authorities expect interest rates to remain unchanged "at least through the end of 2019".
- Bond yields across the Eurozone dropped between 10bps to 15bps in absolute terms while some of the European HY credit based crossover indices (Markit iTraxx) widened in response to investor sentiment.
- On the non-farm payrolls, the US economy added just 20,000 jobs in February, way less than expected. The unemployment rate dropped to 3.8% from 4.0%, indicating the contrasting strength of the household survey, while average hourly earnings rose a better-than-expected 3.4% from last year. US yield curve (30Y minus 5Y) steepened to 58bps for the first time in a year.
- The focus would turn this week to US inflation data prints on the consumer prices, followed by producer prices, and the survey results on inflation expectations. These data are critical to assessing the shape of the yield curve and further calibrate our long-term positioning.
- Federal Reserve Chairman Jerome Powell said interest rates can remain on hold as the U.S. central bank waits to see how conditions abroad evolve, signalling that there's no clear time limit to the Fed's current pause. "Inflation is muted and our policy rate we think is in an appropriate place,". Moreover, "Patient means that we don't feel any hurry to change our interest rate policy".
- The Chinese authorities have adopted prudent fiscal stimulus and embarked on monetary policy tools to spur credit and growth this year. The Peoples Bank of China Governor Yi Gang has emphasized that China still has some room to lower the reserve requirement ratio (RRR) and that monetary policy in 2019 should "reflect counter-cyclical adjustments" and strike a balance between tightening and easing while considering external factors. The current RRR for larger and smaller banks stand at 13.5% & 11.5% from their peak levels of 21.5% & 19.5% witnessed back in 2011. Moreover, this week, Chinese retail sales, investment, credit and industrial production data for January and February are all slated for release. The National People's Congress is set to wrap up with a speech on Friday from Premier Li Keqiang.
- The Reserve Bank of India is shortening its support for the bond market, investors' hopes of relief are reeling under two straight months of declines. According to Bloomberg News, the Reserve Bank of India may buy INR 1.7tn, which is about USD 24bn of debt in the year starting on April 1st as compared to INR 3tn during the fiscal year. The increase in government spending should relax the burden on RBI's purchases while policymakers keep a close watch on liquidity conditions. With INR stability, benign inflation (below RBI target) we expect bond yields to be well supported ahead of the elections in May.
- Emirates NBD has hired banks to arrange fixed income investor meetings before a potential issue of US dollar-denominated bonds. The planned deal would be of benchmark size, Additional Tier 1 perpetual bond not callable for six years. Investor meetings are held today and tomorrow in Europe and Asia and we expect official guidance on the terms by Wednesday subject to favourable market conditions.

**US CORP CREDIT SPREADS TIGHTER AND STRONGER**



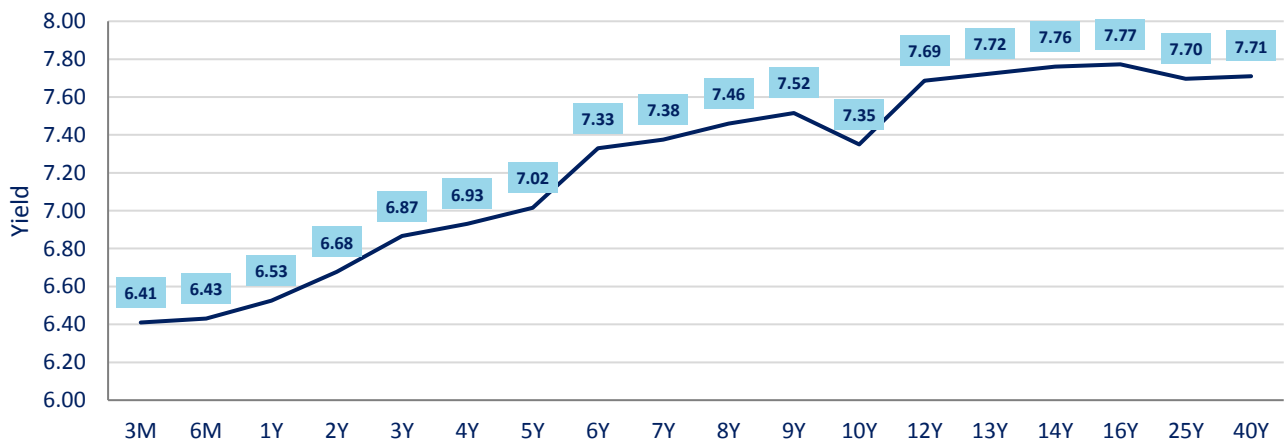
Source: Bloomberg

**QUANTUM OF BBB DEBT IN THE MARKET SOARS TO NEW RECORD**



Source: Bloomberg

**INR STABILITY, BENIGN INFLATION TO SUPPORT YIELDS**



Source: Bondradar as of End-February 2019

**INTERBANK RATES AND GOVERNMENT BONDS**

	3m	6M	12M	2Y	5Y	10 y
<b>LIBOR</b>	2.60	2.68	2.86			
<b>EURIBOR</b>	-0.31	-0.23	-0.11			
<b>EIBOR</b>	2.65	3.03	3.25			
<b>SAIBOR</b>	2.90	3.01	3.24			
<b>US Treasuries</b>				2.47	2.44	2.64
<b>Germany Bunds</b>				-0.53	-0.35	0.07
<b>UK Gilts</b>				0.74	0.91	1.19
<b>Mid Swaps (MS)</b>			2.66	2.59	2.51	2.66

## CREDIT INDICES

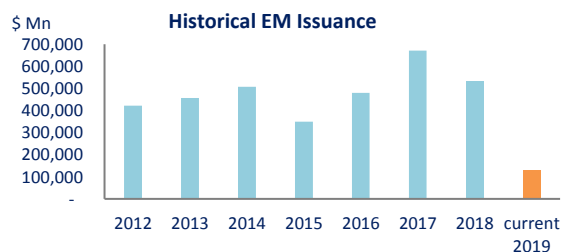
	Spread	Chg Day	Chg YTD
I Traxx Europe	64.67	0	-25.98
I Traxx Europe Crossover	289.63	0	-17.88
CDX North America IG	NA	0	-27.48
CDX North America HY	363.58	0	-19.01
CDX Emerging Markets	174.91	0	-15.91

## BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.27%	-	0.1%	1.4%
GCC Credit	4.3%	180	-0.1%	2.8%
Global High yield	6.29%	418	-0.2%	5.4%
USD Emerging Market	5.52%	293	-0.1%	3.8%
US Government	2.57%	-	0.1%	0.7%
USD Corporate Investment Grade	3.86%	123	0.0%	3.1%
BBG EUR Aggr Corp (Loc)	1.13%	114	-0.1%	2.0%
USD EM Sovereign	6.07%	343	-0.1%	4.1%
USD EM Corporate	5.71%	319	-0.1%	4.0%
Local EM Sovereign	4.73%	47	-0.2%	1.6%

## 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

<b>CHONGQING ENERGY INVESTMENT GROUP CO., LTD.</b>	(USD) 3YR 6.25%
<b>CHINA NATIONAL TRAVEL SERVICE GROUP CORPORATION</b>	Mandate
NA	NA

## GLOBAL ECONOMIC CALENDAR

Date Time	Country	Event	Period	Survey	Prior
03/11/19 03:50	Japan	Money Stock M2 YoY	Feb	2.40%	2.40%
03/11/19 03:50	Japan	Money Stock M3 YoY	Feb	2.10%	2.10%
03/11/19 11:00	Denmark	CPI MoM	Feb	0.80%	0.20%
03/11/19 11:00	Denmark	CPI YoY	Feb	1.40%	1.30%
03/11/19 11:00	Norway	CPI MoM	Feb	0.60%	-0.50%
03/11/19 11:00	Norway	CPI YoY	Feb	2.80%	3.10%
03/11/19 11:00	Germany	Industrial Production SA MoM	Jan	0.50%	-0.40%
03/11/19 11:00	Turkey	Current Account Balance	Jan	-0.65b	-1.44b
03/11/19 12:00	Czech Republic	CPI MoM	Feb	0.10%	1.00%
03/11/19 12:00	Czech Republic	CPI YoY	Feb	2.60%	2.50%
03/11/19 12:00	Spain	Retail Sales YoY	Jan	--	0.00%
03/11/19 16:30	United States	Retail Sales Advance MoM	Jan	0.00%	-1.20%
03/11/19	Belarus	CPI YoY	Feb	--	5.80%
03/11/19	Estonia	Unemployment Rate	Feb	--	5.10%
03/08/19-03/20/19	Morocco	Interest Rate Announcement	20-Mar	--	2.25%
03/07/19-03/15/19	Bahrain	M1 Money Supply YoY	Dec	--	0.07%
03/11/19-03/15/19	Sri Lanka	Exports YoY	Dec	--	4.10%
03/10/19-03/17/19	Kazakhstan	Industrial Production YoY	Feb	--	1.90%
03/11/19-03/13/19	Vietnam	Domestic Vehicle Sales YoY	Feb	--	24.20%
03/11/19-03/13/19	Dominican Republic	CPI MoM	Feb	--	-0.17%
03/11/19-03/19/19	Ecuador	Trade Balance	Jan	--	0.3m
03/10/19-03/16/19	Oman	CPI YoY	Feb	--	0.23%
03/11/19-03/15/19	Jordan	CPI YoY	Feb	--	1.97%

## THE TEAM



**Syed Yahya Sultan** is the Head of Fixed Income Strategy for the CIO Office, Wealth Management division at the CIO Office, Wealth Management division at Emirates NBD overseeing all the fixed income business providing strategic and tactical investment strategies. 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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She joined the Investment Advisor Department, Emirates NBD in 2014 as an Investment Advisor. Prior to which she was employed with Standard Chartered bank.

Muna holds a Bachelor degree in Business Administration from Dubai Women's College, Higher College of Technology.

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