



What's on our minds?

There seems to be a lot of hope that global central bankers would be instrumental in navigating financial asset prices by means of stimulus and rate cuts. The ongoing trade disputes from China to now Europe seem to be grabbing media attention. For bond investors these are perhaps only the tip of the iceberg. Many structural and geopolitical issues need addressing in this late economic cycle (in the US). The world needs money (cheap money) more than one could imagine away from the awash \$235 trillion of debt that needs attention. GDP growth needs a strong push as capital spend and consumer spending is still a far fetch phenomenon looking at multi years of data. For the lament savers, interest rates have been declining and remain a concern. The hunt for yield is only driving us to venture out territories that may be beyond our risk appetite.

US Treasury bonds fared better and holding at 2.08% while Asian indices trading mixed on low volumes. Japanese bourses dipped as traders returned from a holiday, while indexes of Hong Kong and Australia were flat. Chinese indices fell on low trading volumes. The yellow metal holding its shine at \$1414 while WTI and Brent are trading at \$59.56 and \$66.53 respectively.

JPMorgan, Goldman and Wells Fargo are due to release earnings today.

Treasury Secretary Steven Mnuchin said he and U.S. Trade Representative Robert Lighthizer may travel to Beijing for trade negotiations if talks by phone this week are productive.

Europe anticipates that WTO will give the U.S. go ahead to put tariffs against goods valued between USD 4 to 7 Bn as a punitive measure against illegal subsidies. Food and

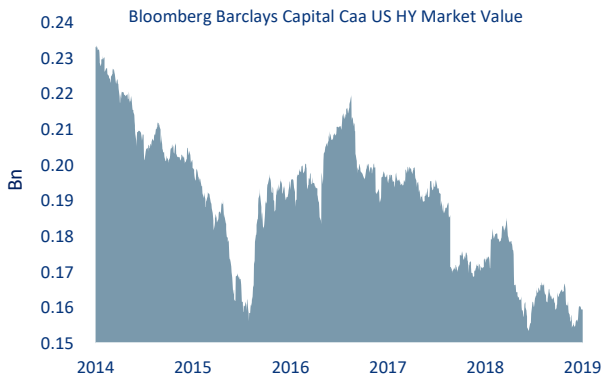
beverages and aviation OEMs are expected to be the most affected sectors. The WTO could issue its ruling as soon as this summer.

Emirates Strategic Investments Company ("ESIC"), rated Baa3 by Moody's, a multi sector holding company with a diversified portfolio in the UAE and fully owned by H.H. Sheikh Mansour Bin Zayed al Nahyan, deputy prime minister of the UAE, has mandated banks to arrange a series of fixed income investor meetings to issue USD benchmark senior unsecured Sukuk transaction with a 5 year tenor.

India is expected to issue bonds of USD 3-4 Bn with a maturity of 20 years according to a report from Business Standard. FIIs have been pulling out money from both equity and bond markets in India. FIIs have pulled out USD 25 Bn from India's bond market which is the highest in the last one year. This exodus is partly driven by redemption to pay federal taxes and has been exacerbated by the worsening credit quality in the demonstrated by a spate of downgrades happening.

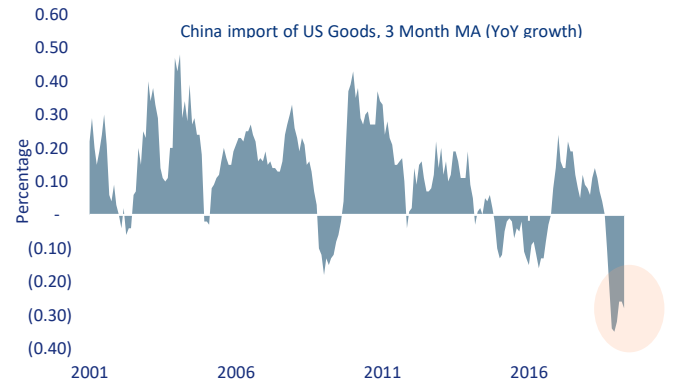
A report provided by ICRA Ltd shows the ratio between the total volumes of debt upgraded to downgrade downgraded in Q2 2019 stands at 0.1 vs 0.3 the previous quarter. According to the agency the deterioration is more pronounced in HY SME players. The sectors which have bucked this trend include defensive sectors such as Utility and Health care. This is the first time since 2015 that the number of downgrades of companies in BSE 500 Index have outpaced upgrades according to Goldman Sachs. Financial sector accounted for 42% of downgraded companies in 2019. This reiterates our outlook to pick good credit quality entities among the Emerging Market and to go long duration for yield rather than compromising on credit quality.

INVESTORS WARY OF LOW QUALITY BONDS DESPITE HY RALLY IN H1 2019



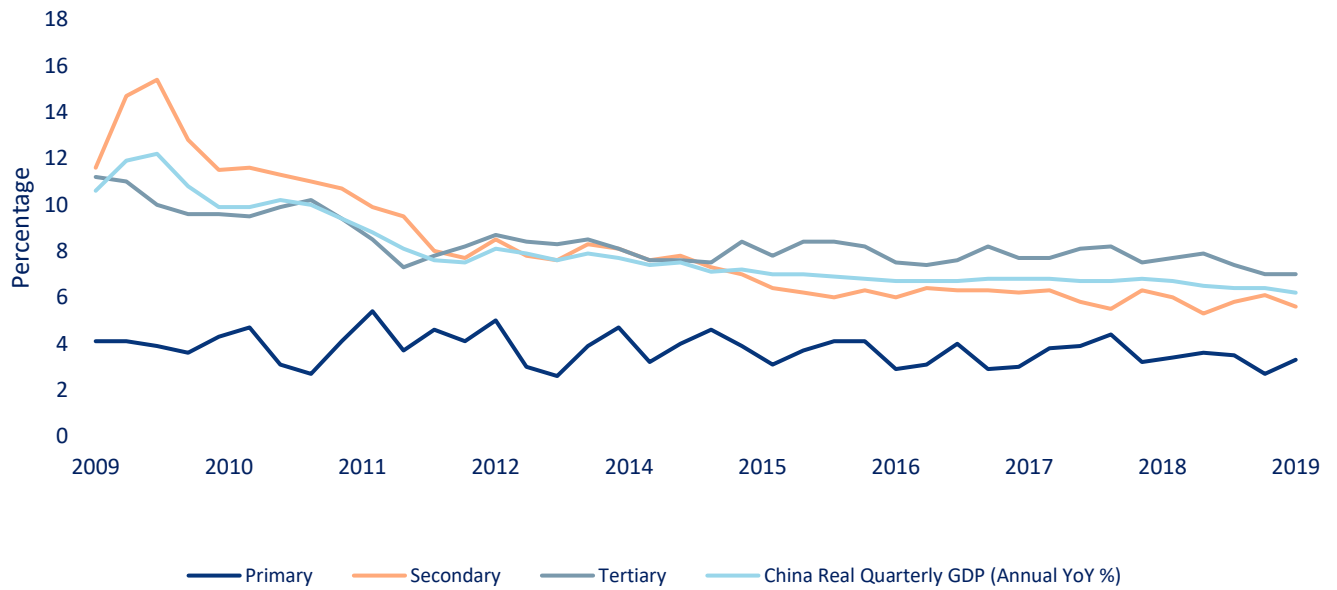
Source: Bloomberg

TRADE WAR IS REAL



Source: Bloomberg

DISECTING CHINA'S GROWTH BY SECTOR



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.32	2.23	2.23			
EURIBOR	-0.36	-0.34	-0.28			
EIBOR	2.56	2.78	3.01			
SAIBOR	2.69	2.70	2.73			
US Treasuries				1.84	1.85	2.09
Germany Bunds				-0.73	-0.60	-0.25
UK Gilts				0.56	0.58	0.80
Mid Swaps (MS)			2.04	1.87	1.84	2.03

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	48.53	-0.76	-44.45
I Traxx Europe Crossover	242.97	-2.93	-31.11
CDX North America IG		-0.04	-39.10
CDX North America HY	326.14	1.56	-27.39
CDX Emerging Markets	159.27	-2.74	-23.43

Source: Bloomberg

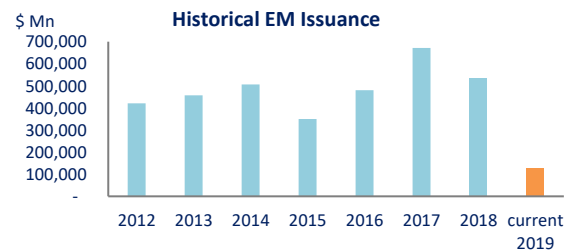
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.96%	-	0.2%	5.5%
GCC Credit	3.5%	153	0.2%	9.6%
Global High yield	5.43%	381	0.1%	10.1%
USD Emerging Market	4.85%	281	0.2%	9.8%
US Government	2.01%	-	0.1%	4.7%
USD Corporate Investment Grade	3.22%	112	0.1%	9.5%
BBG EUR Aggr Corp (Loc)	0.65%	95	0.2%	5.7%
USD EM Sovereign	5.43%	330	0.2%	11.1%
USD EM Corporate	5.02%	308	0.1%	9.1%
Local EM Sovereign	4.18%	48	0.3%	6.4%

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

Emirates Strategic Investments Company	Roadshows (16/07)
Greenco Solar Ltd	Roadshows (15/07)



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