



Emirates NBD's results for the first half of 2019 have been announced to the public this morning. Net profit advanced by 49% to reach AED 7.5 billion in the first half of 2019. This includes AED 2.1 billion gain on the partial disposal of the Group's stake in Network International. Core Operating Profit grew 8% compared to the first half of 2018, helped by loan growth, higher foreign exchange income and increased investment banking activity. The Bank's balance sheet remains strong with further improvements in liquidity and the Common Equity Tier 1 ratio and stable credit quality.

Our year-end target for the benchmark US Treasuries at 2.00% has been derived from our rationale on the back of diverging global bond yields and the outlook on policy rates. The incoming data points do not alter our viewpoints. Geopolitical overhang particularly between the US and China with the ongoing threats on tariffs has turned out to be a perfect drama for the fixed income investors. The headline news itself are overriding our empirical studies on the financial markets during this summer period. The debate remains across the fixed income experts as to if these stretched valuations on risk assets could be sustained. Could markets find new legs to march higher simply because the lender of the last resort (Central bankers) has provided a free put option to market participants? The euphoria and complacency seems to have resurfaced once again. All we allude to is be mindful of the risks during the hunt for yield. Take "duration" risk over "credit" risk in this late-cycle juncture.

US retail sales increased more than expected in June, pointing to strong consumer spending, which could help to blunt some of the hit on the economy from weak business investment.

UK wages grew at the fastest pace in 11 years. Average earnings excluding bonuses rose 3.6% and jobless rate was at a 44-year low of 3.8%.

Asian bourse were mixed again on the back of tariff threats. US benchmarks finding a renewed support at 2.09% even after the strong retail sales data report. Gold slipped to \$1405 while WTI and Brent \$57.62 and \$64.50 respectively. Monetary policy decisions are due in Indonesia, South Korea and South Africa tomorrow while earnings season in the US continues with releases expected from Bank of America and Taiwan Semiconductor this week.

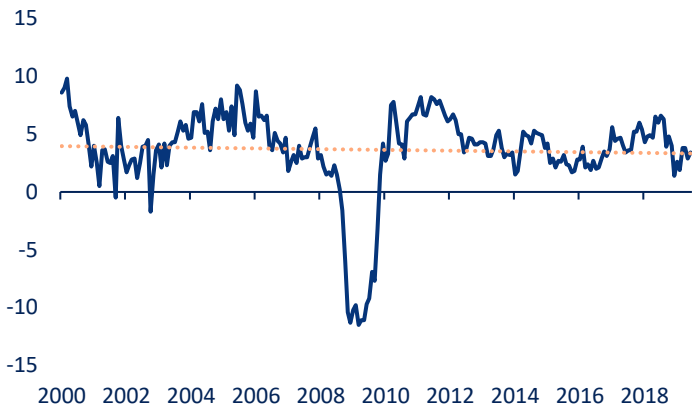
Turkey's new central bank governor Murat Uysal confirmed market consensus that *"there is room for manoeuvre in monetary policy."* He also vowed to maintain *"a reasonable rate of real return"*. Instead of targeting inflation as mentioned on the Central Bank website, Uysal said that the design of monetary-policy process in the new world should take broad macroeconomic indicators into perspective.

Indian Government bond yields have led the outperformance sending benchmark yields to 2 and a half year lows, amid growing expectations of deeper rate cuts by the central bank and increased foreign demand. The yield on 10-year bonds declined to 6.31%. Yields have fallen by more than 100bp since April-end.

Trade war has affected more economies in Asia. Exports from India (-9.7% YoY) and Indonesia (-8.98% YoY) were worse than economists' estimates in June. Also Duniatex Group, a large Indonesian textile player missed its dollar loan repayment whose liquidity has been affected by the tariff war. The bad news from Asia is expected to continue with Singapore and Japan also widely anticipated to report weak export numbers.

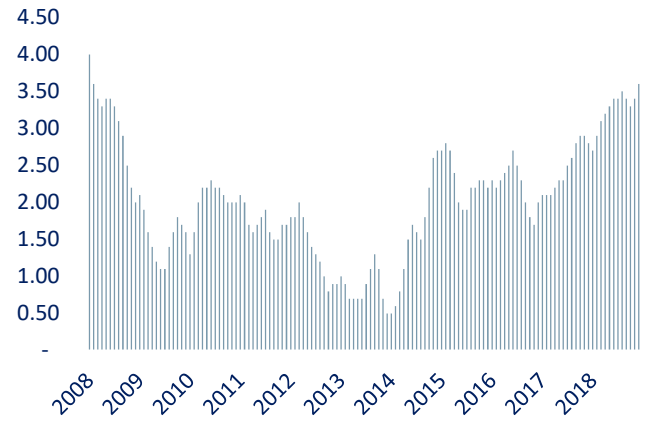
Top macroeconomic data anticipated today are US Jobless claims, University of Michigan business sentiments and US mortgage market stats. Inflation data will be the key today for the Eurozone and UK.

US WAGE GROWS BUT STILL BELOW 20 YEAR AVG



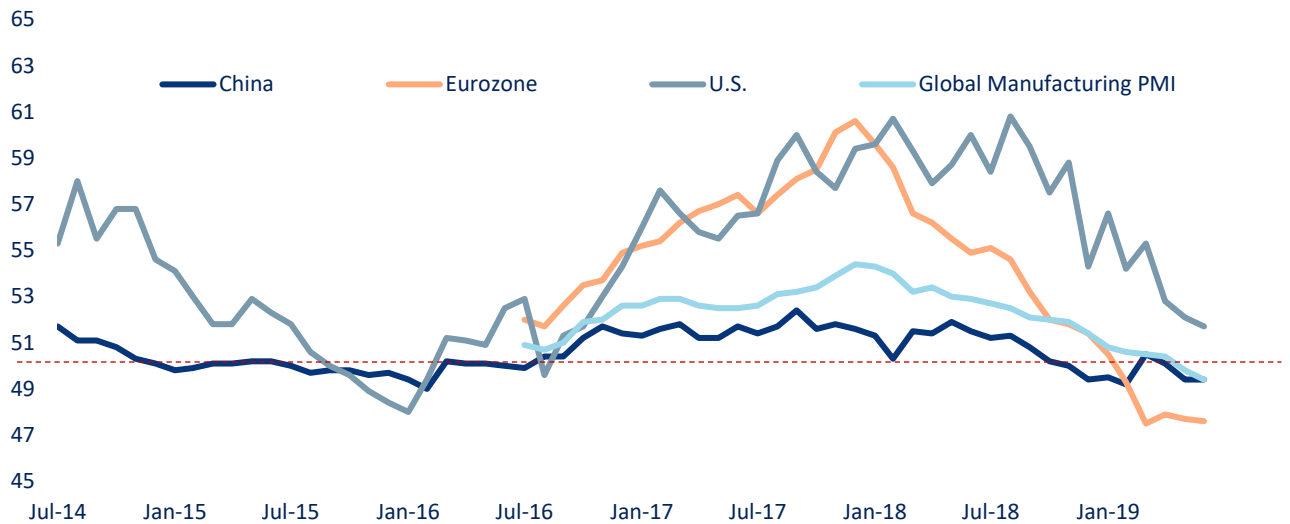
Source: Bloomberg

SURPRISE GROWTH IN UK WAGES



Source: Bloomberg

GLOBAL MANUFACTURING PMI ON DECLINE



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
<b>LIBOR</b>	2.30	2.22	2.21			
<b>EURIBOR</b>	-0.36	-0.34	-0.29			
<b>EIBOR</b>	2.60	2.76	2.99			
<b>SAIBOR</b>	2.69	2.69	2.73			
<b>US Treasuries</b>				1.84	1.86	2.09
<b>Germany Bunds</b>				-0.74	-0.62	-0.28
<b>UK Gilts</b>				0.57	0.59	0.82
<b>Mid Swaps (MS)</b>			2.06	1.88	1.84	2.03

Source: Bloomberg

### CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	49.62	1.08	-43.21
I Traxx Europe Crossover	245.29	2.32	-30.45
CDX North America IG		0.61	-38.40
CDX North America HY	330.19	4.23	-26.45
CDX Emerging Markets	159.52	0.25	-23.31

Source: Bloomberg

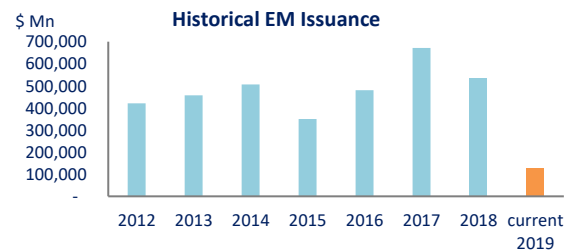
### BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.97%	-	0.0%	5.5%
GCC Credit	3.5%	148	0.1%	9.7%
Global High yield	5.45%	382	0.0%	10.1%
USD Emerging Market	4.86%	279	0.0%	9.7%
US Government	2.04%	-	-0.2%	4.5%
USD Corporate Investment Grade	3.25%	112	-0.2%	9.3%
BBG EUR Aggr Corp (Loc)	0.64%	94	0.0%	5.8%
USD EM Sovereign	5.43%	327	0.0%	11.1%
USD EM Corporate	5.04%	307	0.0%	9.0%
Local EM Sovereign	4.18%	48	-0.1%	6.3%

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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Satyajit has 10 years of investment experience and joins us from ADCB, after having worked for Deutsche Bank and Moody's investor services. He holds a CFA charter, and got his MBA from IIM Kozhikode as well as a M.Sc in Mathematics and Computing from IIT Kharagpur.

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