



US markets managed to close higher overnight while the European bourses posted losses. Asian markets trading mixed as investors digest US-China exchange of words on trade negotiations. The US benchmark Treasuries are stronger at 1.80% while the JGBs were also priced higher as yen swap curve flattens on the back of overseas receiving flow and volumes above average. President Donald Trump said he “protested” U.S. interest rates that he considers too high relative to other developed countries in a meeting on Monday with Federal Reserve Chairman Jerome Powell.

The US NAHB index eased 1pts to 70 in November, its first decline in five months. The index of present sales fell 2pts to 76.0, led by weakness in the South. However, the index remains well up on January’s 58 print and indicates ongoing strength in the housing market.

The US Empire Statement Manufacturing survey came in softer than expected, with general business conditions falling to 2.9, against expectations for a rise to 6.0, from 4.0 in October. Despite the drop, new orders and employment were a highlight in November, rising to 5.5 and 10.4 respectively. While trade tensions have eased, the Capex continues to suggest a softening trend, despite this month’s bounce.

ECB chief economist, Philip Lane, again indicated support for a more expansive fiscal stance. However, he wasn’t specific about the type of fiscal stimulus,

noting “that requires a big conversation among fiscal policy makers and electorates”.

China’s yuan fell after the PBOC lowered borrowing costs on short-term loans and injected \$26 billion into the financial system.

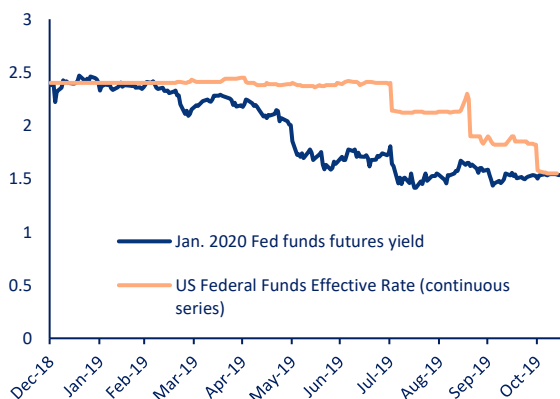
On the data front, US housing starts today followed by initial jobless claims on Thursday and China to announce its loan prime rates, a benchmark for borrowing costs, on Wednesday.

Saudi Arabia has given a valuation range for the Aramco IPO between 1.6 and 1.7 trillion which in our view is attractive.

Sri Lanka’s election commission announced that Gotabaya Rajapaksa had won the presidential election with 52.25% of the vote. Following the announcement, Sajith Premadasa, who received 42% of the vote, conceded defeat. The victory should translate to an upbeat sentiment and be positive for Sri Lankan Eurobonds, in our view. The short dated bonds offer value both when compared to the rest of the EM peers. On a technical front, the search for yield amongst high-beta Sovereigns are creating a strong backdrop and should continue in our view, especially with the FED expected to pause on the FED funds rates, for now.

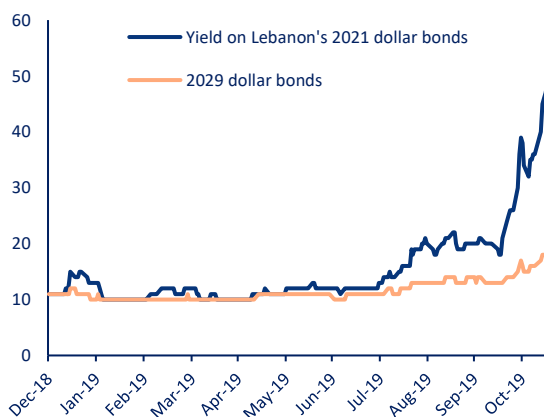
Arabian Centres Company, the largest mall operator in the Kingdom of Saudi Arabia is expected to come to the market with a maiden 5 –Year Sukuk today.

MARKETS IN LINE WITH FED'S STANCE



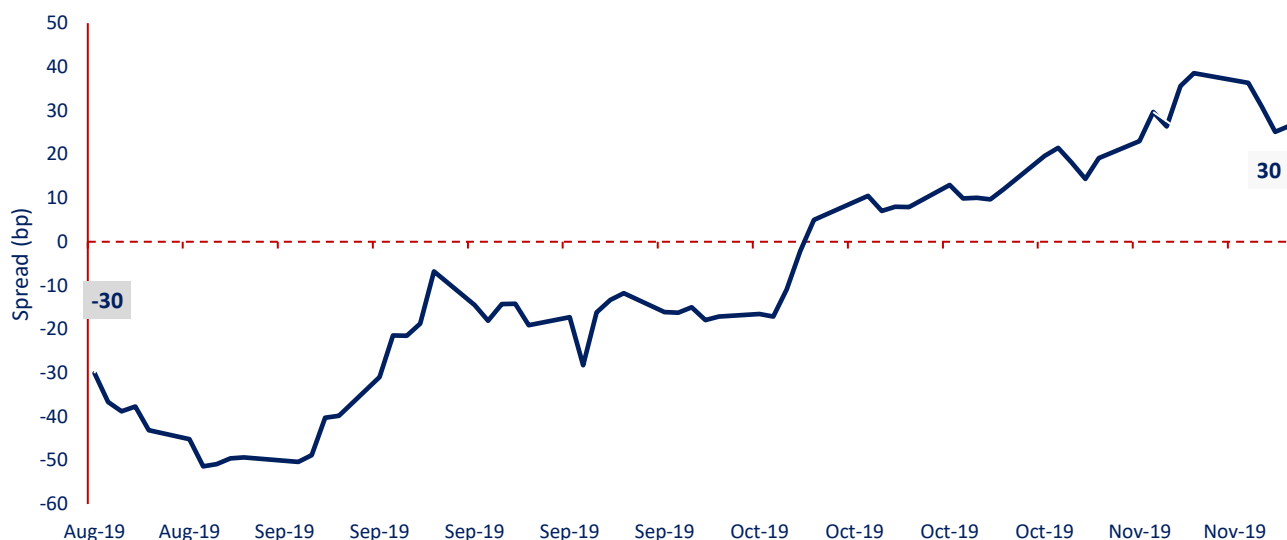
Source: Bloomberg

UNDER PRESSURE: LEBANON BOND YIELDS RISE SHARPLY



Source: Bloomberg

US YIELD CURVE STEEPENS (10Y minus 3M T-BILLS)



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	1.90	1.92	1.96			
EURIBOR	-0.40	-0.33	-0.27			
EIBOR	2.10	2.26	2.24			
SAIBOR	2.23	2.25	2.30			
US Treasuries				1.60	1.63	1.80
Germany Bunds				-0.63	-0.58	-0.34
UK Gilts				0.56	0.54	0.75
Mid Swaps (MS)			1.72	1.61	1.58	1.71

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	48.55	-0.31	-44.43
I Traxx Europe Crossover	231.65	-0.92	-34.32
CDX North America IG		-0.01	-41.59
CDX North America HY	333.63	1.69	-25.73
CDX Emerging Markets	202.68	4.78	-2.56

Source: Bloomberg

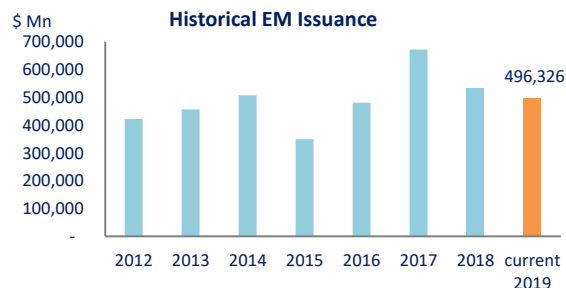
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.90%	-	0.1%	7.4%
GCC Credit	3.3%	154	0.1%	13.1%
Global High yield	5.37%	395	0.0%	11.9%
USD Emerging Market	5.04%	324	-0.1%	11.1%
US Government	1.77%	-	0.1%	7.1%
USD Corporate Investment Grade	2.91%	106	0.2%	13.5%
BBG EUR Aggr Corp (Loc)	0.65%	93	0.0%	6.5%
USD EM Sovereign	6.03%	415	-0.3%	10.4%
USD EM Corporate	4.83%	312	0.1%	11.7%
Local EM Sovereign	3.82%	30	0.1%	7.0%

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

ACC 5 Year Sukuk (Ba2/-/BB+)	Pricing Today
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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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He has over 10 years of investment experience and has joined us from ADCB where he worked as a Portfolio Manager in the HNW Segment of the bank. Prior to this, he had worked for Deutsche Bank in the Institutional Clients' Group Credit Desk and ICRA Ltd (A Moody's Investors Services Company) as a senior Analyst in the corporate sector credit ratings desk. He holds a CFA charter, and got his MBA in Finance from IIM Kozhikode as well as a M.Sc in Mathematics and Computing from IIT Kharagpur.

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