



While investors are positioned for risk-on resulting in positive return for risky assets, the markets still remain sensitive to trade developments. The US-China trade deal which was shelved six months ago, has made a roaring comeback. There is still some discussion on the amount of levies to be rolled back with the USA proposing to a cut-back between 35% to 60% while China demands that all levies imposed post-May to be removed immediately and the earlier tariffs to be disbanded gradually.

Treasuries climbed yesterday with reports on U.S.-China trade talks and oil sell-off driving risk appetite. Long-end outperformed as 2s10s flattened for the fifth consecutive session from near YTD high. The 10-Year benchmark UST yields were at 1.75%.

NY Fed President John Williams joined the chorus of other presidents saying that the US economy is in a "Good Place" and that FED is definitely watching the "wider risks" to the economic due to global headwinds. Inflation trends below FED target and deterioration in the trade outlook are key factors and further deterioration could force the FED to act.

Investors placed more than GBP 17.5 Bn of bids for the U.K.'s GBP 2.25 Bn April 2041 linker tap, with final terms set at UKT+3.5, the bottom end of guidance. The orderbook was the smallest among this year's three taps of the same note, following GBP 2.5 Bn sales in February and July.

US-China trade dispute continues to weigh on global sentiments as demonstrated by a drop in Japan's exports for the 11th straight month. The value of shipments fell 9.2% YoY in October as against consensus expectations of 7.5% decline.

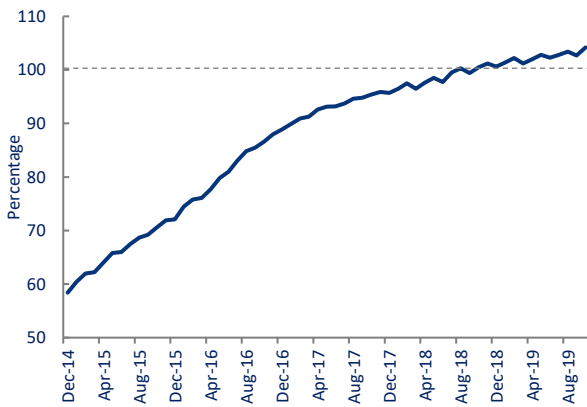
Chinese Trust companies face a maturity wall in December 2019 with USD 125 Bn of financing needed to be repaid. This is ominous within a deteriorating landscape of tightened regulation and slowing economic growth.

Asian bond defaults is expected to could rise next year, with Chinese conglomerates, Indian NBFCs and Indonesian coal miners facing stress. Borrowers with dollar bonds yielding at least 15% have USD 15.1 Bn or almost a third of such debt due in 2020, according to Bloomberg-compiled data.

Aramco's bankers see sufficient demand to pull off its IPO just three days after launching the deal according to a Bloomberg report. They already have nearly enough orders to cover the institutional portion with more than two weeks to go.

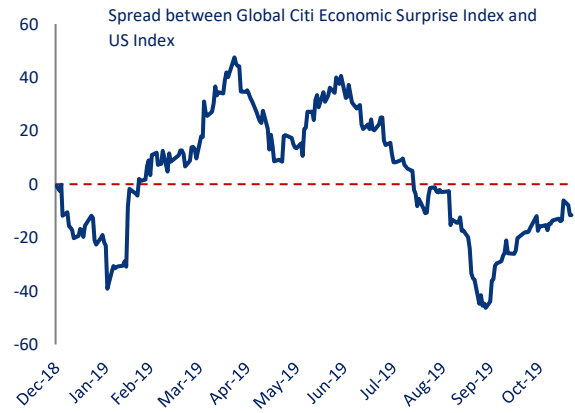
Arabian Centres Company, the largest mall operator in the Kingdom of Saudi Arabia priced its USD 500 Mn maiden 5-Year Sukuk at 5.375% yesterday. The order book was 3x times the issue size and large real money players such as global Asset Managers and Insurance players showed keen participation.

BOJ'S BALANCE SHEET LARGER THAN THE SIZE OF THE ECONOMY



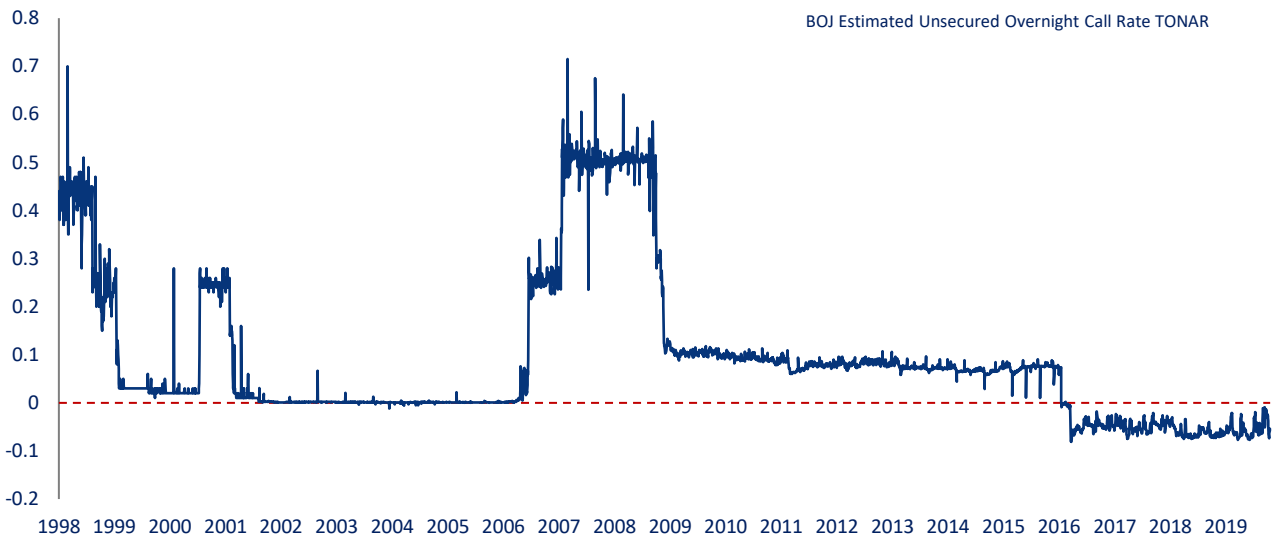
Source: Bloomberg

GLOBAL ECONOMIC DATA IMPROVING VERSUS THE US



Source: Bloomberg

JAPANESE RATES - TOO LOW FOR TOO LONG



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	1.90	1.92	1.95			
EURIBOR	-0.40	-0.34	-0.27			
EIBOR	2.17	2.29	2.26			
SAIBOR	2.23	2.25	2.30			
US Treasuries				1.58	1.59	1.74
Germany Bunds				-0.63	-0.58	-0.34
UK Gilts				0.55	0.52	0.73
Mid Swaps (MS)			1.70	1.58	1.52	1.64

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	49.33	0.79	-43.53
I Traxx Europe Crossover	232.98	1.33	-33.94
CDX North America IG		0.89	-40.58
CDX North America HY	339.20	5.61	-24.48
CDX Emerging Markets	204.19	1.51	-1.84

Source: Bloomberg

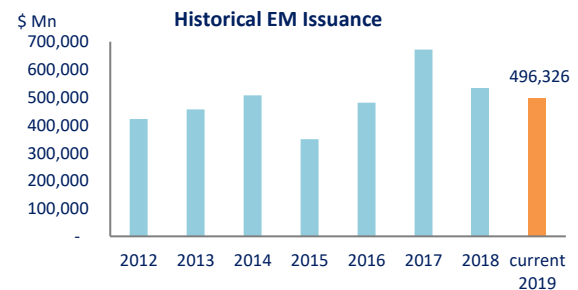
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.89%	-	0.1%	7.5%
GCC Credit	3.3%	156	0.0%	13.1%
Global High yield	5.41%	401	-0.1%	11.8%
USD Emerging Market	5.06%	328	-0.1%	11.0%
US Government	1.76%	-	0.2%	7.3%
USD Corporate Investment Grade	2.89%	107	0.2%	13.7%
BBG EUR Aggr Corp (Loc)	0.65%	94	0.0%	6.5%
USD EM Sovereign	6.07%	422	-0.2%	10.2%
USD EM Corporate	4.84%	314	0.0%	11.7%
Local EM Sovereign	3.81%	30	-0.1%	6.9%

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+) Priced at 5.375%



Syed Yahya Sultan - Head of Fixed Income Strategy

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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