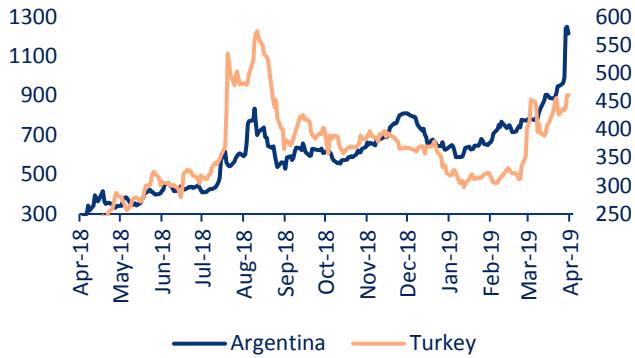




## FIXED INCOME DESK – THE MOMENTUM CONTINUES

- Asian markets on a mixed tone as investors await an eventful week with key macro-economic data releases and policy announcements. Earnings announcements from Apple, Alphabet, GE, Pfizer, HSBC, Macquarie, BP, Royal Dutch Shell, and McDonald's are also due this week.
- The US GDP stats came in stronger than expected. The US economy grew at a 3.2% annualized rate in the first quarter of 2019. The strong reading supports the continuity of one of the longest economic expansions on record. Dissecting the report, one key inflation measure (PCE) dropped to 1.30% in the quarter, from 1.80% which prompted a sharp rally on the US Treasuries. This week would remain key for financial markets as the Fed's policy decision and press conference is due on Wednesday. Moreover, investors would also pay a close watch to the Treasury's refunding announcement as well as payrolls report which is due on Friday.
- Emerging markets debt performance was mixed on the back of concerns surrounding Argentina and Turkey. The five-year credit default swaps on Argentina and Turkey soared to new YTD highs of 1214bp and 460bp respectively. Broadly EM high-yielding corporates and Sovereigns outperformed those on the investment-grade sector. EM credit indices have also (CDX EM) widened to 194bp.
- The S&P 500 index is on a record-breaking trajectory fueled by the earnings season so far with almost 50% of results yet to report. Of the reported, 77% have beaten expectations at the earnings level while 54% on the revenue front. This has supported and reflects on the strong spread compression witnessed on the US corporate bond markets. Both IG and HY corporate sectors have staged a strong comeback with spreads now at 110bp and 359bp respectively. We keep a close watch on the volatility front (VIX) given the nudge higher in the last few trading sessions to 13.25 for any early signs towards investor risk appetite. The Fed funds futures are now pointing that the central bank's benchmark will fall to 2.18% by the end of 2019, more than a quarter point below the current fed effective rate. The US 10-year Treasuries has rallied pushing yields below the 2.50% - a strong reflection from the recent QoQ PCE reading.
- The Central Bank of Russia kept its key interest rate on hold at 7.75% at its April MPC meet. The accompanying statement reiterated a dovish message. With inflation, consistently surprising on the downside and inflation expectations have been declining continuously which should translate and prompt for policy interest rate cuts for this year. Policymakers reiterate the line from last month that "short-term pro-inflationary risks have abated". But the CBR still acknowledges the risks stemming from unanchored inflation expectations and geopolitical factors. CBR now states that it "admits the possibility of turning to cutting the key rate in Q2-Q3 2019", compared to last month's statement that the Bank "admits the possibility of turning to cutting the key rate in 2019".

FIVE-YEAR CREDIT DEFAULT SWAPS SURGE



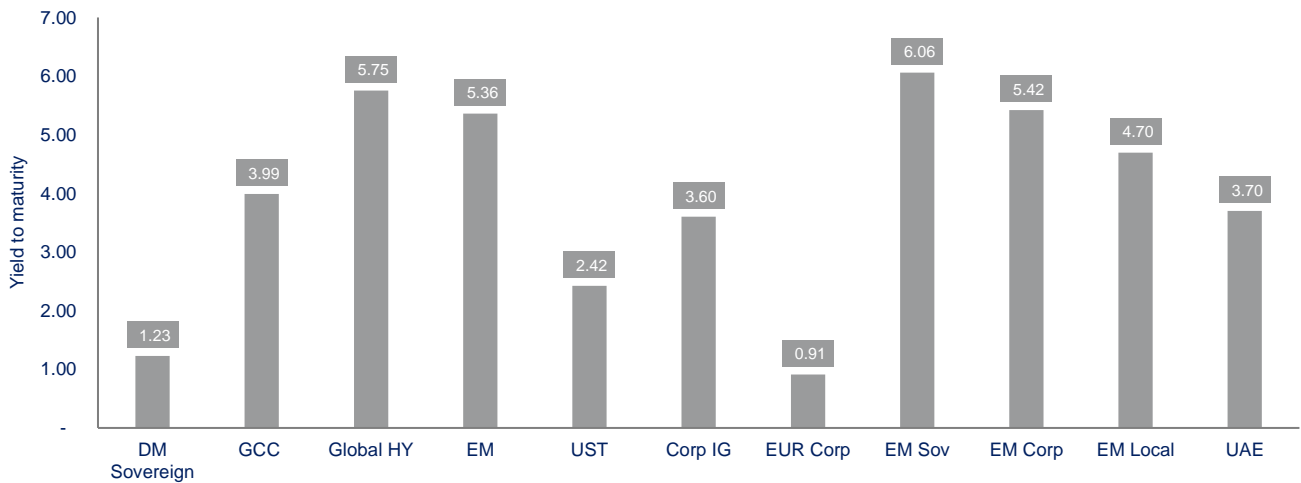
Source: Bloomberg

US TREASURIES WELL SUPPORTED



Source: Bloomberg

FIXED INCOME VALUATIONS



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
Libor	2.58	2.62	2.72			
EURIBOR	-0.31	-0.23	-0.11			
EIBOR	2.85	2.94	3.12			
SAIBOR	2.86	2.95	3.12			
US Treasuries				2.28	2.29	2.50
Germany Bunds				-0.60	-0.44	-0.02
UK Gilts				0.72	0.86	1.14
Mid Swaps (MS)			2.54	2.39	2.32	2.48

## CREDIT INDICES

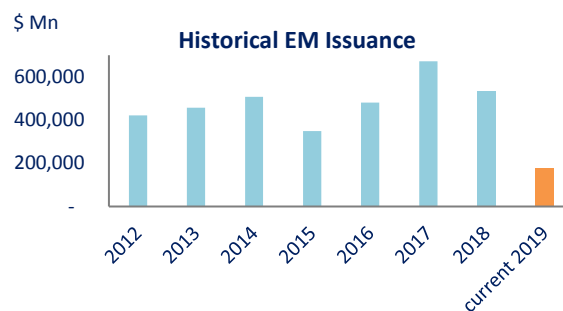
	Spread	Chg Day	Chg YTD
I Traxx Europe	58.75	0	-32.76
I Traxx Europe Crossover	250.27	0	-29.04
CDX North America IG	57.40	0	-30.8
CDX North America HY	324.13	0	-27.82
CDX Emerging Markets	194.28	0	-6.60

## BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	1.23%	-	0.2%	2.4%
GCC Credit	4.0%	160	0.2%	5.4%
Global High yield	5.75%	377	0.0%	8.2%
USD Emerging Market	5.36%	291	0.2%	5.7%
US Government	2.42%	-	0.2%	1.8%
USD Corporate Investment Grade	3.60%	110	0.2%	5.7%
BBG EUR Aggr Corp (Loc)	0.91%	100	0.0%	3.5%
USD EM Sovereign	6.06%	354	0.2%	5.8%
USD EM Corporate	5.42%	305	0.1%	6.1%
Local EM Sovereign	4.70%	48	0.3%	1.6%

## EMERGING MARKETS PRIMARY ISSUANCE

	2018	current 2019 - mn
EM	\$533,322	\$179,670
ASIA	\$279,190	\$85,081
MENA	\$73,189	\$33,062
GCC	\$65,864	\$29,062
Sukuk	\$22,708	\$7,848



## 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

Saudi Telecom (Sukuk)	Mandate announcement
Mirae Asset Daewoo	3Y&5Y
Ronshina China	March 2022 tap

GLOBAL ECONOMIC CALENDAR

Date Time	Country	Event	Period	Survey	Prior
04/29/19 11:30	Russia	Bloomberg April Russia			
04/29/19 12:00	Eurozone	M3 Money Supply YoY	Mar	4.20%	4.30%
04/29/19 12:00	Italy	PPI MoM	Mar	--	-0.002
04/29/19 12:00	Italy	PPI YoY	Mar	--	0.039
04/29/19 13:00	Italy	Hourly Wages YoY	Mar	--	0.017
04/29/19 13:00	Italy	Hourly Wages MoM	Mar	--	0
04/29/19 13:00	Eurozone	Economic Confidence	Apr	105.00	105.50
04/29/19 13:00	Eurozone	Business Climate Indicator	Apr	0.49	0.53
04/29/19 13:00	Eurozone	Industrial Confidence	Apr	-2.00	-1.70
04/29/19 13:00	Eurozone	Services Confidence	Apr	11.50	11.30
04/29/19 13:00	Eurozone	Consumer Confidence	Apr F	-7.9	-7.9
04/29/19 16:30	United States	BEA Releases March			
04/29/19 16:30	United States	Personal Income	Mar	0.40%	0.20%
04/29/19 16:30	United States	Personal Spending	Mar	0.70%	--
04/29/19 16:30	United States	Real Personal Spending	Mar	0.30%	--
04/29/19 16:30	United States	PCE Deflator MoM	Mar	0.30%	--
04/29/19 16:30	United States	PCE Deflator YoY	Mar	1.60%	--
04/29/19 16:30	United States	PCE Core Deflator MoM	Mar	0.10%	--
04/29/19 16:30	United States	PCE Core Deflator YoY	Mar	1.70%	--
04/29/19 18:00	Canada	Bloomberg Nanos Confidence	26-Apr	--	55.20

## CONTACT US



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