



This week we have central banks on the podium, and US trade representatives meeting with their Chinese counterparts in Shanghai. BOJ's rate decision and briefing on Tuesday will also be key. Although the overall strength in the recent US economic data, has been promising, expectations remain that the FOMC will lower rates by 25bp this week. Nonfarm payrolls on Friday should also provide us with impetus on the direction of the US yield curve. The consensus calling for 169,000 jobs while no change is expected on the hourly earnings for the month of July. Falling bond yields across developed nations to record lows are also providing a strong technical support for US Treasury bonds with yields anchoring close to the 2.00% level.

Boris Johnson's Brexit crisis cabinet meets for the first time today. The six senior ministers will gather every day until Oct. 31. Johnson is prepared to suspend Parliament or hold an election to thwart those who might obstruct him.

Treasury Secretary Steven Mnuchin and U.S. Trade Representative Robert Lighthizer head to Shanghai today for the first high-level, face-to-face negotiations since it all broke down in May. People familiar say it's a positive step, but warned a quick deal isn't likely. The location being Shanghai also offers an insight that this is a preliminary meeting, since Beijing is the seat of political power in China.

In contrast to the wider dovish monetary policy actions and sentiments, PBOC government Yi Gang announced last week that the country's policy rate is at an appropriate level. This has led to some underperformance in the Chinese sovereign futures while the Bloomberg Barclays Chinese aggregate index has underperformed its peers. With Chinese regulators tightening the laws for issuance of USD dominated debt, it is expected that the China developer's land buying spree which

reached USD 200 Bn in Q2 2019, would cool down. This is expected to be positive for strong Chinese Property developers such as Vanke, COLI, CR Land and Longfor as their low leverage offers them more firepower.

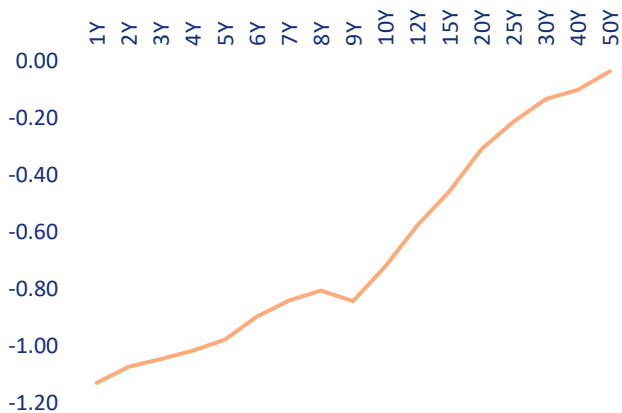
Australia and New Zealand benchmark yields hit record low as expectation of further policy rate cuts are being priced in. Last week's dovish announcement by the Australian central bank governor Lowe, the futures curve has priced in 2 more rate cuts by September 2020.

Bank of Japan starts its two day policy meeting today. While Kuroda has been dovish in all of his announcements, market doesn't anticipate any rate cuts and the consensus is that the policy rates will remain at -0.10%.

On the macroeconomic front, Europe is going to find out this week how bad the economy has become. On Wednesday, the market will track the Euro area inflation which is expected to be 1.1%, the lowest since early 2018 and Q2 2019 GDP growth that is widely expected to be 0.2%.

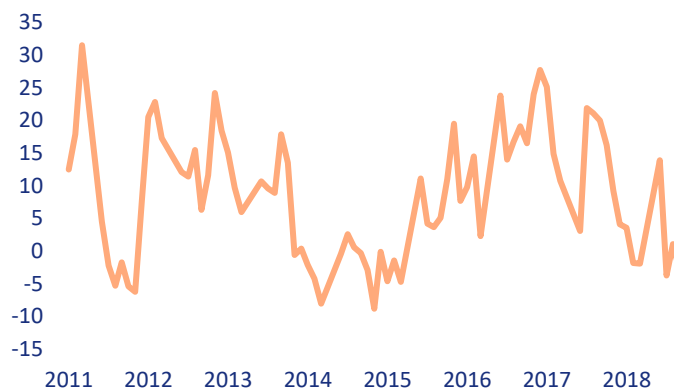
Investors might have to wait longer than anticipated for the Indian sovereign bond in USD currency, since there is an unexpected reshuffle at the top of India's finance bureaucracy. Finance secretary, Subhash Chandra Garg who was widely anticipated to be the architect of the move, has requested early retirement in an unusual move for a senior Indian civil servant. This is expected to be negative for 10 year G-Secs which had tightened post the announcement of the foreign currency bond issuance in the budget speech earlier this month.

SWISS CURVE YIELDING NEAGATIVE OVER ALL TENURES



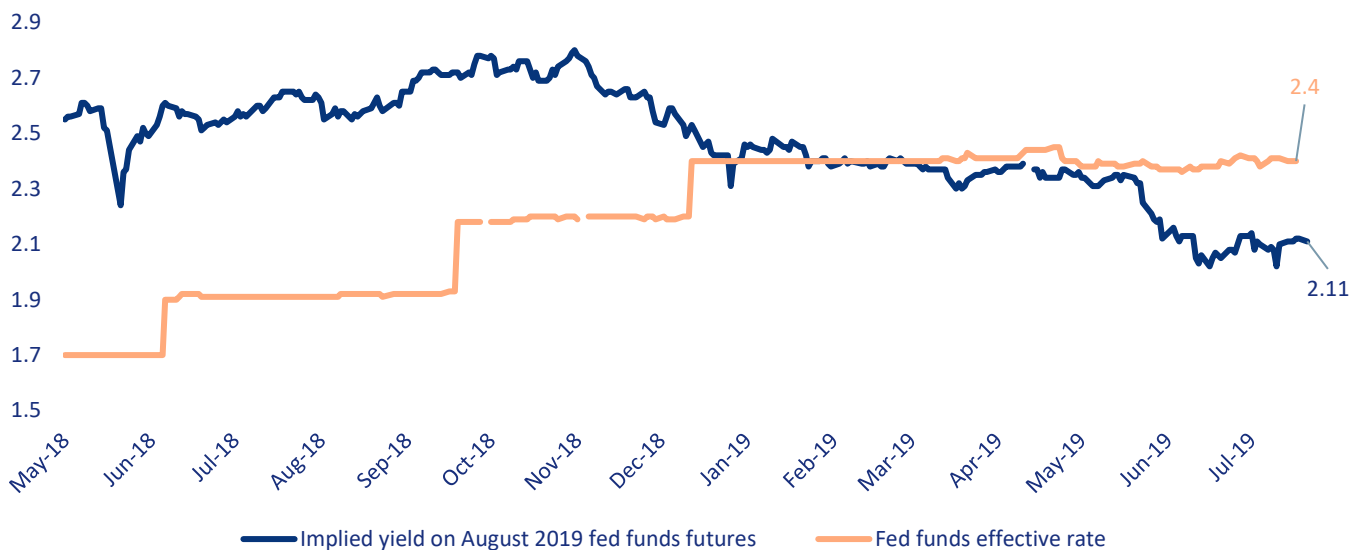
Source: Bloomberg

CHINESE PPI WEAKNESS CONTINUES



Source: Bloomberg

SPREAD BETWEEN IMPLIED AUG RATES AND CURRENT LEVELS CLOSER TO 25 BPS



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.27	2.20	2.20			
EURIBOR	-0.37	-0.36	-0.31			
EIBOR	2.51	2.58	2.84			
SAIBOR	2.64	2.64	2.68			
US Treasuries				1.84	1.85	2.07
Germany Bunds				-0.75	-0.67	-0.38
UK Gilts				0.48	0.47	0.69
Mid Swaps (MS)			2.07	1.88	1.82	1.99

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	47.26	1.05	-45.90
I Traxx Europe Crossover	241.81	2.22	-31.44
CDX North America IG		0.10	-41.60
CDX North America HY	311.73	-1.83	-30.52
CDX Emerging Markets	156.56	1.13	-24.73

Source: Bloomberg

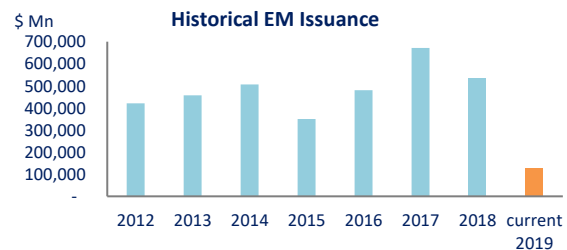
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.93%	-	0.0%	6.1%
GCC Credit	3.4%	143	0.0%	10.4%
Global High yield	5.41%	377	0.1%	10.4%
USD Emerging Market	4.82%	278	0.0%	10.3%
US Government	2.02%	-	0.0%	4.8%
USD Corporate Investment Grade	3.18%	108	0.0%	10.1%
BBG EUR Aggr Corp (Loc)	0.53%	91	0.1%	6.7%
USD EM Sovereign	5.37%	324	0.0%	12.0%
USD EM Corporate	5.03%	307	0.0%	9.3%
Local EM Sovereign	4.12%	45	-0.3%	6.6%

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

Malayan Banking Berhad (A3/A-/A-)	3ML+80 bps
National Australia Bank (AA3/AA-/AA-) 15NC10	T+215
Sino-Ocean Land Treasure IV Ltd (Baa3/BBB-)	T+320
Shinhan Financail Group 10.5 NC 5.5 (Exp Issue rating- Baa1/BBB)	T5+175



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