



This week has been dubbed as the most important week for the markets. While the market is focussing on FOMC meeting and US Jobs data, there are three other things the investors should be keenly following: US-China Trade talks, forward looking indicators and outlook for future earnings.

While the 25 bps rate cut is fully priced in by the market, it is more important to understand the guidance around what policy moves are likely to come next and why. If the guidance provides hints about the start of an easing cycle, we could witness a fresh rally in EM Credit and HY assets. However, we anticipate a single rate cut and guidance to talk about further rate cuts to be dependent on macroeconomic data.

There is no expectation of any concrete outcomes of the US-China trade talks, especially since the meeting is happening at Shanghai and not Beijing. Instead, it will be interesting to follow the nuanced signalling from both sides at the end. This would affect long term global trade outlook and could provide a template for further discussion between US-EU and Korea- Japan trade disputes.

Wednesday's PMI data is a leading indicator for markets. Even though manufacturing's contribution to overall GDP is on the decline, currently, PMI data indicates manufacturing contraction in more than 28 countries, which contribute to 60% of the world's GDP. Typically, contraction in this sector foreshadows a slowdown in demand and subsequent drag on the growth parameters.

While asset prices have been increasing, the estimates for earnings guidance for Q3 2019 continue to be downgraded, and Q3 is set to be the first quarter of shrinking earnings for the S&P 500 since December 2015. According, to analysts the Q4 2019 and Q1 2020 earnings guidance are still pretty high

and continue to fall. Hence, we believe credit selection is the key and like defensive sectors.

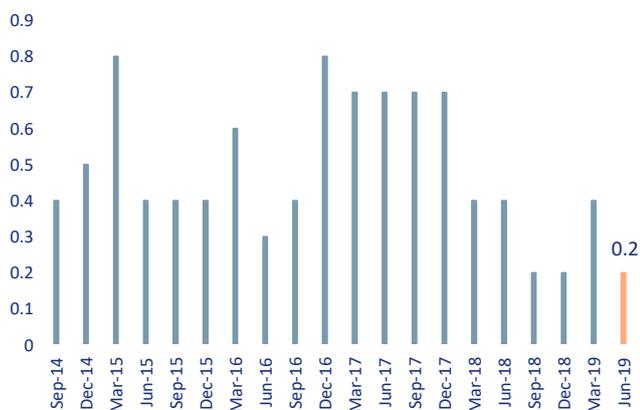
The Bank of Japan held its policy rates unchanged as expected while providing lower inflation forecasts. It also left unchanged its pledge to keep interest rates extremely low through at least spring 2020. In its quarterly report, the BOJ alluded to protectionism, and the resultant trade war has increased risks to inflation and economic activity. BOJ effectively said 2% inflation remains out of sight, with core inflation projected at 1.6% in the year ending in March 2022. It trimmed its inflation projection for this fiscal year to 1.0%, while saying inflation is currently rising at around 0.5% year over year, down from 0.5%-1% previously.

On the macro data front, today is light in terms of US with only household income data coming up. In the Euro zone, the market will be looking at inflation data of Germany (Estimated to be 1.5% YoY) and GDP growth of France (Act. 0.2% vs Est. 0.3%). France was expected to show more resilience, however, this slowdown confers to Mario Draghi's warning last week that outlook is getting "worse and worse" for the Euro zone.

In the primary bond issuance market, Export Import bank of India rated Baa2 by Moody's and BBB- by S&P has mandated Lead Managers to arrange a series of roadshows commencing today to be followed by senior notes offering under its GMTN program subject to market conditions.

Closer to home, Gems Menasa books are open for a dual-tranche 7NC3 offering in USD and EUR currencies. Initial Price Guidance is 7.5% for USD notes and 5% for EUR denominated notes.

EURO AREA GROWTH MIGHT SLOWDOWN
(Consensus) TO 0.2% IN Q2 2019



Source: Bloomberg

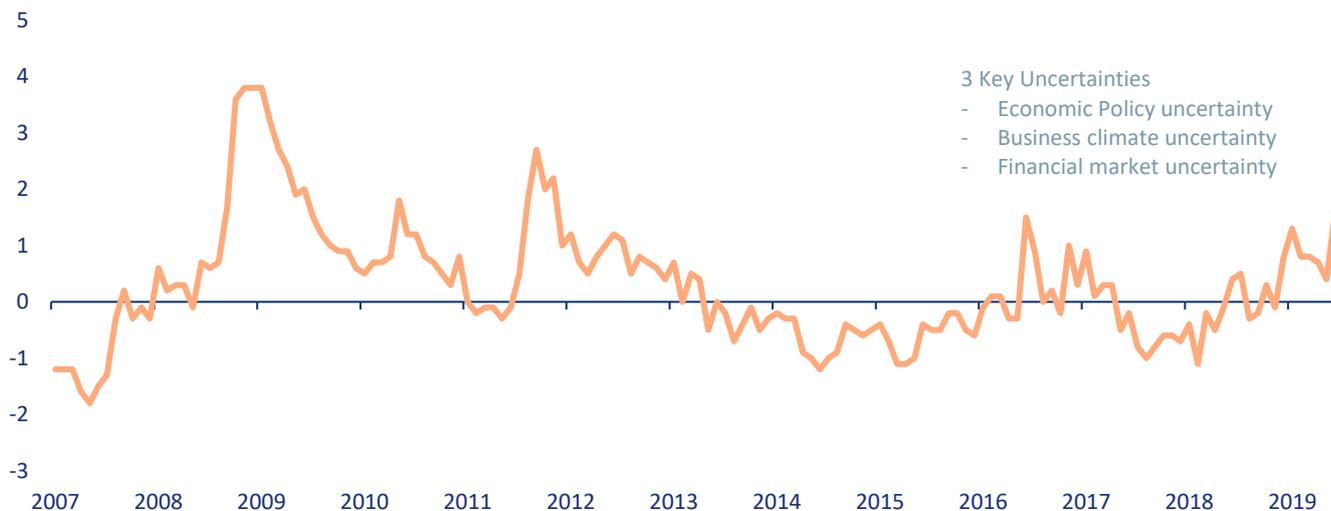
CORPORATE AMERICA: LOWER Q3 EPS GUIDANCE



Source: Bloomberg

EURO AREA UNCERTAINTY IS ON THE RISE

Bloomberg Economics Euro Area Uncertainty Gauge - Mid Price



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	2.67	2.69	2.86			
SAIBOR	2.64	2.64	2.67			
US Treasuries				1.85	1.84	2.06
Germany Bunds				-0.76	-0.68	-0.39
UK Gilts				0.46	0.44	0.65
Mid Swaps (MS)			2.06	1.88	1.81	1.98

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	49.12	1.86	-43.78
I Traxx Europe Crossover	246.30	4.49	-30.17
CDX North America IG		1.40	-40.00
CDX North America HY	314.23	2.22	-30.03
CDX Emerging Markets	157.02	0.45	-24.51

Source: Bloomberg

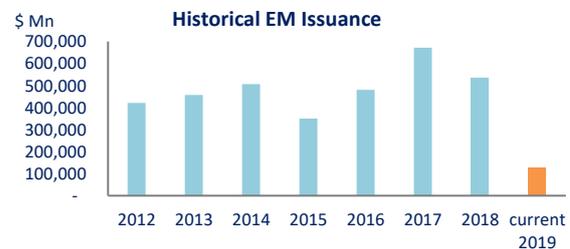
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.92%	-	0.1%	6.2%
GCC Credit	3.4%	148	0.0%	10.4%
Global High yield	5.39%	379	0.0%	10.4%
USD Emerging Market	4.81%	279	0.1%	10.4%
US Government	2.00%	-	0.2%	4.9%
USD Corporate Investment Grade	3.16%	107	0.2%	10.3%
BBG EUR Aggr Corp (Loc)	0.52%	91	0.1%	6.8%
USD EM Sovereign	5.36%	326	0.1%	12.0%
USD EM Corporate	5.01%	308	0.1%	9.4%
Local EM Sovereign	4.11%	45	0.0%	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

GEMS Menasa (B2/B/B+)	USD – 7.5% EUR- 5.0%
EXIM Bank (Issuer rating – Baa2/BBB-/BBB-)	Roadshows



Syed Yahya Sultan is the Head of Fixed Income Strategy for the CIO Office, Wealth Management division at the CIO Office, Wealth Management division at Emirates NBD overseeing all the fixed income business providing strategic and tactical investment strategies. 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.

Direct +9714 609 3724

Email: yahyas@emiratesnbd.com



Satyajit Singh, CFA – Fixed Income Analyst

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.

Direct +9714 609 3795

Email: satyajitsi@emiratesnbd.com

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