



The gyrations on financial markets continue this morning as investors de-risk and sought safe-haven assets. US benchmark ten-year Treasury bonds rallied to 1.77% together with the rest of the term premium across the US curve falling.

The move by Beijing to allow the yuan to tumble to its weakest level in a decade against the dollar made big headlines across Asia this morning.

The yuan fell 1.2% to 7.02 a dollar after the People's Bank of China set its daily reference rate at a weaker level than 6.9 for the first time since December. The offshore yuan sank as much as 1.9% to a record low.

Moreover, authorities asked state-owned companies to suspend imports of U.S. agricultural products in a response to President Trump's move on further tariffs on Chinese imports by September 1. China's 10-year government bond yield drops to 3.068% while Gold climbed higher to \$1453.

EM Corporate credit spreads widened across Asia while the MSCI Asia Pacific Index headed for its biggest decline since March, with indices falling over 2% from Tokyo to Hong Kong and Seoul.

Equities in Shanghai saw a more modest drop amid speculation that state-linked funds may act to prop up the market.

The Japanese Yen benefiting from the broader risk-aversion tone, and strengthening to 106 against the US Dollar.

Financial leverage in China's bond market dropped in July as money markets experienced less liquidity for non-banking sectors. China's interbank bond market leverage ratio - an indicator measuring how many bonds are financed through repurchase agreements - fell to 1.07 in July from 1.09 in the previous month. The indicator is calculated by dividing investors' total bond holdings by owned capital. A ratio of less than one means investors are lending to others to buy bonds and a ratio of more than one means investors buy more

bonds through repo financing which exceeds their own capital, increasing leverage. (Source: Bloomberg)

Emerging markets primary bond issuance has continued its strong streak amid all the concerns surrounding global trade wars. The volume of new issuance for last month was the third largest of 2019 at over USD68 bn and behind March and April volumes of USD75bn each. The July total EM volume was also the fifth highest since January 2018. Across the global EM, Asia led the issuance by almost half of the total EM volume printing \$34.1bn of new bonds.

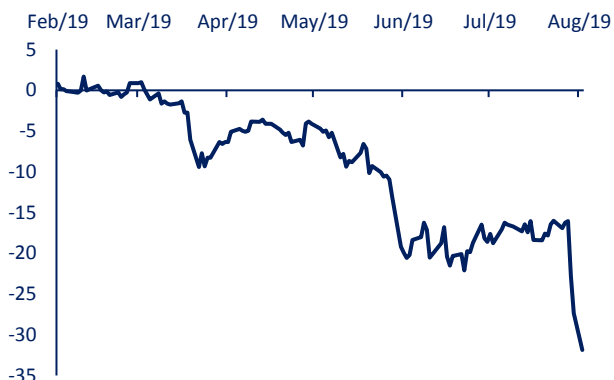
The US payrolls report for July showed a solid but slowing labor market with positive month-over-month earnings, slowing non-farm payrolls, and an unchanged 3.7% unemployment rate. Although wages nudged by one-tenth of a percentage to 3.2%. That said, inflation expectations have fallen as market positioning now reflects the benign inflationary environment post the comments on further Tariffs by President Trump.

The 10-year breakeven rate, a gauge of where the market thinks consumer price inflation is headed over the coming decade is currently at 1.70% (The FED has a 2% inflation target).

The rhetoric's and stance around global trade has heightened investors' concerns and has drove bond yields lower globally. Such market nuances of falling yields have also pushed investors' search of yields to venture out on towards excessive credit risk. Investors need to be pragmatic and complacent on risk-adjusted returns particularly in this late-cycle juncture.

Upcoming issuance in Asia this week includes ICBC Financials Leasing Co Ltd, Exim Bank of India and Renew power.

MARKETS PRICING FOR ANOTHER CUT AT THE SEPTEMBER FOMC



Source: Bloomberg

GLOBAL SOVEREIGN BOND YIELDS FALL AT A FASTER PACE



Source: Bloomberg

PBOC ALLOWS THE CHINESE YUAN TO WEAKEN



Source: Bloomberg

INTERBANK RATES AND GOVERNMENT BONDS

	3m	6M	12M	2Y	5Y	10 y
LIBOR	2.24	2.13	2.12			
EURIBOR	-0.38	-0.37	-0.30			
EIBOR	2.49	2.74	2.87			
SAIBOR	2.57	2.58	2.61			
US Treasuries				1.65	1.60	1.78
Germany Bunds				-0.79	-0.74	-0.50
UK Gilts				0.43	0.34	0.55
Mid Swaps (MS)			1.90	1.67	1.55	1.69

Source: Bloomberg

CREDIT INDICES

	Spread	Chg Day	Chg YTD
I Traxx Europe	53.57	2.98	-38.68
I Traxx Europe Crossover	269.26	14.67	-23.66
CDX North America IG		0.86	-35.45
CDX North America HY	340.05	6.95	-24.27
CDX Emerging Markets	169.70	1.95	-18.42

Source: Bloomberg

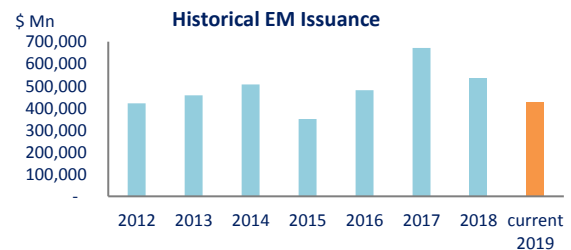
BOND MARKET PERFORMANCE

BONDS	Yield	Spread	1 day	YTD
Glob Developed Sovereign (Loc)	0.84%	-	0.3%	7.0%
GCC Credit	3.4%	161	0.4%	10.9%
Global High yield	5.59%	410	-0.2%	10.1%
USD Emerging Market	4.80%	294	0.0%	10.6%
US Government	1.84%	-	0.2%	6.1%
USD Corporate Investment Grade	3.05%	113	0.1%	11.3%
BBG EUR Aggr Corp (Loc)	0.50%	94	0.1%	7.0%
USD EM Sovereign	5.39%	346	0.0%	12.0%
USD EM Corporate	5.01%	323	-0.1%	9.6%
Local EM Sovereign	4.03%	42	-0.4%	5.6%

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

EXIM Bank of India	Mandate announcement
RENEW Power	Mandate Announcement



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