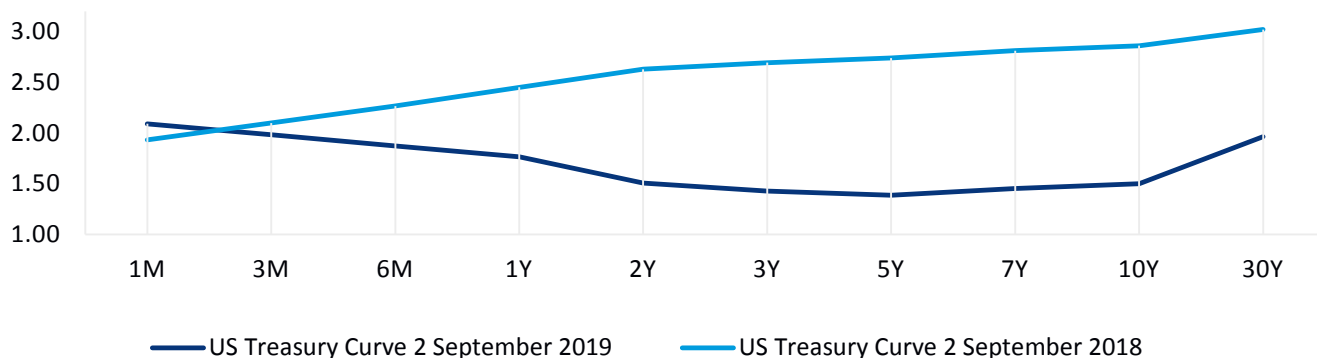


## Fixed Income Outlook

Background: A dovish outlook by major global central banks including the US Federal Reserve has increased demand for fixed income as an asset class. Increasing global tensions have led the Fed to cut rates in July for the first time since December 2008 and we expect them to cut twice by end of year 2019. Consequently, US 10 year treasury yield has fallen from 2.86% in September 2018 to 1.50% currently.

Lower rates: big one year shift across UST yields

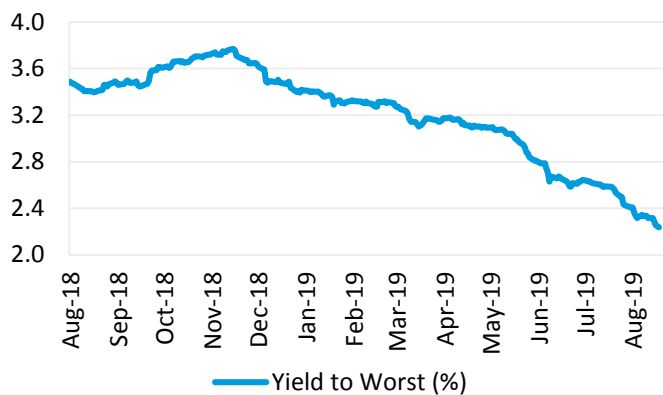


**Outlook:** We expect the US interest rates to remain low for a longer period:

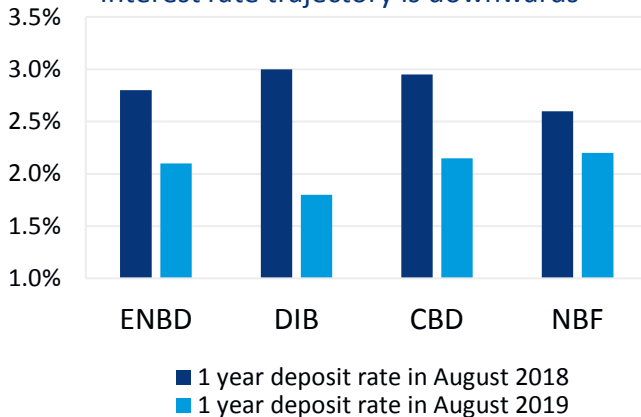
- Trade worries between US and China have intensified more recently and we do not expect them to reach a truce in the short-term
- Global macro economic data continues to remain soft and GDP estimates for most economies are likely to be adjusted downwards
- Adding to the uncertainty, the German economy contracted by 0.1% in the second quarter and the Bundesbank warned the economy could shrink again in the third quarter to enter into recession
- The ECB made it clear support is coming (rate cuts) in September with rates expected to go further in the negative territory. The situation is similar in Emerging Economies, with more than 15 Central Banks having cut rates in the last three months
- Demand for safe-haven assets are pushing global yields to record low-levels as we see a new high of \$17 trillion of negative-yielding debt

**Fixed Deposit Rates:** Deposit rates have dropped as below and we expect them to fall further as Fed reduces rates.

Global Sovereign Bond Yield (positive yields becoming more scarce)

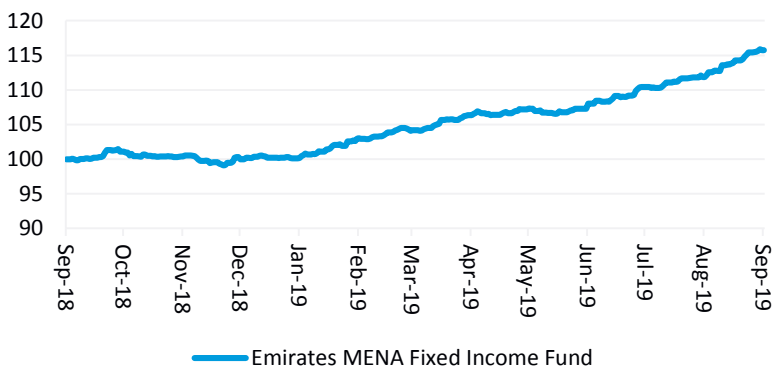


Interest rate trajectory is downwards

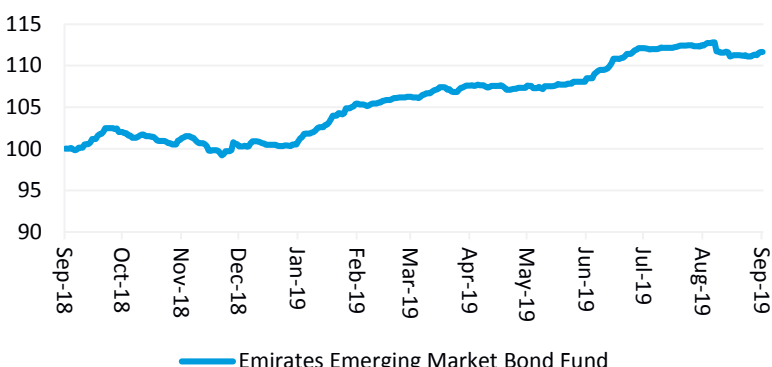


Source: Bloomberg and ENBDAM.

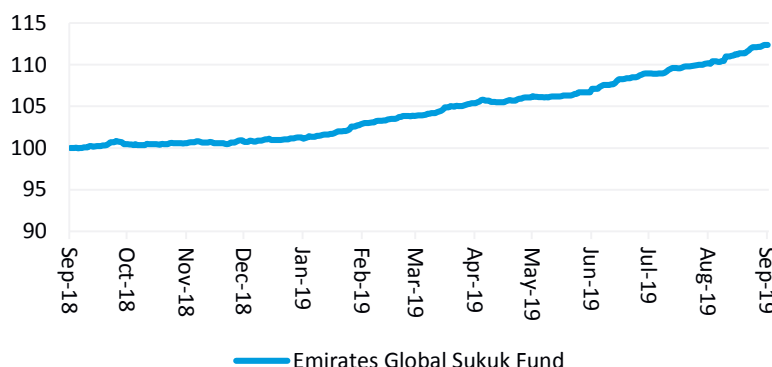
## Fixed Income funds managed by Emirates NBD Asset Management



Emirates MENA Fixed Income Fund	
1 Year Performance	15.10%
YTM	4.97%
Dividend Yield	5% p.a.



Emirates Emerging Market Debt Fund	
1 Year Performance	10.19%
YTM	7.07%
Dividend Yield	5% p.a.



Emirates Global Sukuk Fund	
1 Year Performance	11.84%
YTM	3.84%
Dividend Yield	4% p.a.

Source: Bloomberg and ENBDAM, 1 share class as at 31<sup>st</sup> August 2019.

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