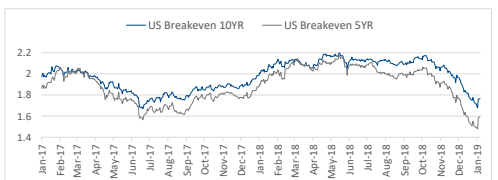
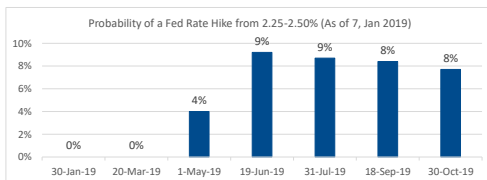
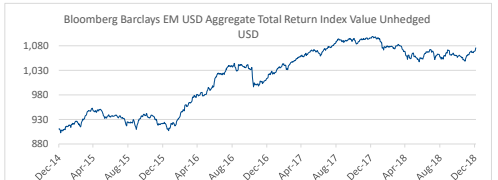
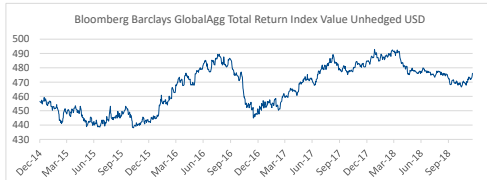
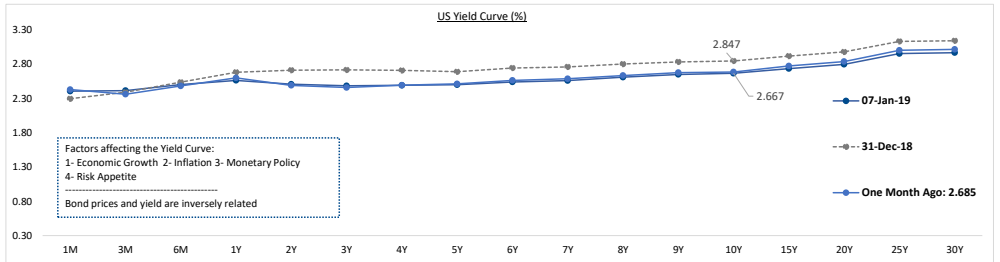


- 2018 is behind us and a new journey is upon us. Most of 2018's agendas should carry on with us during 2019. Politics should play a vital role in 2019, whereby investors will brace for the trade war rhetoric, the U.S. and EU internal politics, and the upcoming elections in emerging markets. Investors should also navigate through the tightening financial conditions and the heightened volatility in global financial markets. The beginning of 2019 is undoubtedly different than the start of 2018, whereby we kicked off 2018 with positive vibes and the cryptocurrency euphoria. We, however, hope that the end of 2019 would be much better than the end of 2018. Happy holidays to our investors and we wish you a great year ahead.
- Nevertheless, developed sovereign yields witnessed a severe swing during last week on the back of rising volatility and weak macro data. Yields, however, gained some traction on strong U.S. jobs data as well as dovish Powell. The U.S. 10 year yield started the week lower and continued its downward trend throughout the week. Interestingly, the front end of the curve, at some point, dropped below the FED's official rate (2.25-2.50%), and it remains inverted. Germany and Japan's government 10-year yield revisited 2017-lows. Nonetheless, the U.S., Germany and Japan's 10-year yields closed the week lower by 5bps, 3bps, and 4bps, at 2.66%, 0.2%, and -0.04%, respectively.
- It seems that the economic pressures, which were evident in the latest PMI data, are forcing the world's two biggest economies to sit around the table and reach a compromise in order to work out the trade spat. The Chinese economy is already feeling the heat and President Trump is cornered about the falling financial markets and the pressure from the Democrats. Representatives from both countries should meet this week, however, expectations are not very high as traders are foreseeing a mini deal. Nevertheless, the negotiations outcome should determine the next leg in global financial markets.
- In an interview with his predecessors Janet Yellen and Ben Bernanke, FED chairman Powell gave the global financial markets the best New Year gift by explicitly saying that the FED would pause further rate hikes should the economic conditions deteriorate. He also acknowledged that the message behind the recent market turbulence was well received. Powell's remarks bring back memories of 2016, when the FED decided to pause rate hikes due to a weak Chinese economy and mounting volatility in global financial markets. We, however, advise our investors to be cautious as the circumstances are a lot different from 2016.
- The U.S. payroll report smashed all estimates and painted a great picture across all levels. The U.S. economy created 312k new jobs vs 180k forecast. The average hourly earnings rose at the fastest rate since 2009 by increasing 3.2% YoY, vs 3.1% forecast. Meanwhile, the participation rate ticked higher, indicating a healthy economic situation, which in turn led to a higher unemployment rate. The unemployment report calmed global equity markets as well as global yields, especially after the weak global PMI data came out. Nevertheless, such strong economic data, if persistent, should give the FED the green light to keep hiking rates.
- Up until last Friday, the picture in emerging markets was more or less the same, as EM currencies suffered from a flash crash and bond prices slightly declined, whilst spreads ballooned. In fact, cash prices did not benefit from the huge drop in the U.S. 10-year yield, as traders shifted their focus on the credit side. Noticeably, Oman bonds were under heavy pressure due to the high budget deficit.
- On the news front, Turkey's inflation decelerated for a second month and the preliminary trade deficit decreased by 71%. Additionally, the Turkish government cut electricity and gas prices for households and small firms and increased the minimum wage by 26%. Brazil's unemployment rate fell less than expected and the broad price gauge recorded its second-fastest deflation ever. Oman approved its 2019 budget with a deficit of 9% of GDP. Egypt will receive its 5th tranche of the IMF facility this month, \$2bn, as the government agreed to float gasoline prices by March 2019.
- This week has the FED minutes of meeting and the US CPI data. Given the rising uncertainties, we advise our investors to bet on the short and medium ends of the curve.

USA	Actual	Forecast	Previous
Manufacturing PMI (Dec)	53.80	53.90	53.9
API Weekly Crude Oil Stock	(4.5)M		6.92M
ISM Manufacturing PMI (Dec)	54.10	57.70	59.30
ISM Manufacturing Employment (Dec)	56.2		58.20
Initial Jobless Claims	231K	220K	221K
ADP Nonfarm Employment Change	271K	220K	157K
MBA Purchase Index	219.00		238.60
U.S. Baker Hughes Total Rig Count	1075.00		1083
U.S. Baker Hughes Oil Rig Count	877.00		885
Cushing Crude Oil Inventories	0.641M		0.799M
Crude Oil Inventories	0.007M	(3.086)M	(0.046)M
Services PMI (Dec)	54.40	53.50	53.40
Market Composite PMI (Dec)	54.4	54.70	54.70
Unemployment Rate (Dec)	3.90%	3.70%	3.70%
Nonfarm Payrolls (Dec)	312K	178K	176K
Average Hourly Earnings (YoY)	3.20%	3.00%	3.10%

Europe	Actual	Forecast	Previous
German Manufacturing PMI	51.50%	51.50%	51.50%
German Unemployment Rate (Dec)	5.00%	5.00%	5.00%
German Unemployment Change	(-14)K	(12)K	(16)K
French CPI (MoM)	0.00%	0.1%	-0.20%
French HICP (MoM)	0.10%		-0.20%
French Manufacturing PMI	49.7	49.7	49.7
Spanish Manufacturing PMI	51.1	52.4	52.6
Spanish Unemployment Change	(-50.6)K		(1.8)K
Spanish Services PMI (Dec)	54.20	53.8	54
Italian Manufacturing PMI	49.20	48.4	48.6
Italian Services PMI (Dec)	50.50	50.20	50.3
UK Manufacturing PMI (Dec)	54.20	52.60	53.6
UK Construction PMI (Dec)	52.8	52.90	53.4
UK Services PMI (Dec)	51.20	50.70	50.4
EU Core CPI (YoY)	1.00%	1.00%	1.00%
EU CPI (YoY) (Dec)	1.60%	1.80%	1.90%
EU Manufacturing PMI (Dec)	51.40	51.4	51.4

Asia	Actual	Forecast	Previous
China Caixin Manufacturing PMI	49.7	50.3	50.20
China Caixin Services PMI (Dec)	53.90	52.90	53.8
Japan Manufacturing PMI (Jan)	52.60	52.40	52.6



Major Global Economic Calendar	
Date	Event
8-Jan-19	US JOLTs Job Openings
9-Jan-19	US Crude Oil Inventories
11-Jan-19	UK GDP (MoM)
11-Jan-19	UK Manufacturing Production
11-Jan-18	US Core CPI (MoM) (Dec)

The yield spread figure is the difference between two key interest rates. Spreads usually indicate the likelihood of a recession or a recovery. Spreads are also used to gauge the extent of market risk-taking and business confidence. For example, a narrowing spread between the 2 and 10 treasury yields indicates a flattening yield curve, while a widening one implies steepness in the curve. If the spread between a US treasury and a high yield bond is widening, it indicates that credit risk perception of lower quality bonds is increasing in the market. If the spread between an investment grade bond and a US treasury is declining, it indicates that the perception of credit risk is declining, and investors are positive on economic activity in general. US 5yr & 10yr Breakeven, The rates are United States breakeven inflation rates. They are calculated by subtracting the real yield of the inflation linked maturity curve from the yield of the closest nominal Treasury maturity. The result is the implied inflation rate for the term of the stated maturity.

General Fixed Income List

Security Name	Country of Risk	Industry Group	Maturity	Credit Rating	Ask YTM %	Ask Price	Price Change % WTD	Duration	Ask Z-Spread (bp)	Coupon %	Next Coupon Payment	Shari'ah Compliant	Min Piece
REPUBLIC OF ARGENTINA	ARGENTINA	Sovereign	4/22/2021	B	9.99	93.75	0.11	2.02	736.32	6.875	4/22/2019	N	150,000
CB B INTL SUKUK FIVE	BAHRAIN	Sovereign	2/12/2024	B+	5.63	99.95	0.12	4.27	306.38	5.624	2/12/2019	Y	200,000
KINGDOM OF SAUDI ARABIA	SAUDI ARABIA	Sovereign	10/12/2028	B+	6.98	100.12	0.30	6.87	431.27	7.000	4/12/2019	N	200,000
KINGDOM OF SAUDI ARABIA	SAUDI ARABIA	Sovereign	1/26/2021	B+	5.24	101.21	-0.19	1.86	259.77	5.875	1/26/2019	N	200,000
KINGDOM OF SAUDI ARABIA	SAUDI ARABIA	Sovereign	1/26/2026	B+	6.50	102.80	0.12	5.35	389.47	7.000	1/26/2019	N	200,000
CENT ELET BRASILEIRAS SA	BRAZIL	Electric	10/27/2021	BB-	4.84	102.34	0.15	2.54	224.64	5.750	4/27/2019	N	200,000
HIKMA PHARMACEUTICALS PL	BRITAIN	Pharmaceuticals	4/10/2020	BB+	4.43	99.78	0.03	1.19	170.63	4.250	4/10/2019	N	200,000
DIB SUKUK LTD	CAYMAN ISLANDS	Banks	3/30/2021	A-	3.87	99.42	0.06	2.10	124.58	3.600	3/30/2019	Y	200,000
EIB SUKUK LTD	CAYMAN ISLANDS	Banks	5/31/2021	NR	3.79	99.43	0.02	2.26	117.11	3.542	5/31/2019	Y	200,000
ALPHA STAR HOLDING LTD	CAYMAN ISLANDS	Real Estate	4/9/2019	NR	4.86	100.01	0.12	0.25	207.68	4.970	4/9/2019	Y	200,000
EMBRAER OVERSEAS LTD	CAYMAN ISLANDS	Aerospace/Defense	9/16/2023	BBB-	4.43	105.29	0.21	4.03	186.65	5.696	3/16/2019	N	2,000
LAMAR FUNDING LTD	CAYMAN ISLANDS	Electric	5/7/2025	BB+	7.64	81.77	0.19	5.32	505.48	3.958	5/7/2019	N	200,000
SAUDI ELEC GLOBAL SUKUK	CAYMAN ISLANDS	Electric	4/8/2024	A-	4.13	99.39	0.20	4.64	156.08	4.000	4/8/2019	Y	200,000
UNITY 1 SUKUK LIMITED	CAYMAN ISLANDS	Airlines	11/30/2021	NR	4.03	99.55	0.11	2.70	143.80	3.860	5/30/2019	Y	200,000
ADCB FINANCE CAYMAN LTD	CAYMAN ISLANDS	Banks	3/6/2023	A-	4.34	100.59	0.14	3.70	178.41	4.500	3/6/2019	N	200,000
CODELCO INC	CHILE	Mining	9/16/2025	A	4.09	102.36	0.05	5.66	149.64	4.500	3/16/2019	N	200,000
CODELCO INC	CHILE	Mining	7/17/2022	A	3.66	97.85	0.02	3.26	108.80	3.000	1/17/2019	N	200,000
ARAB REPUBLIC OF EGYPT	EGYPT	Sovereign	1/31/2022	B-	6.42	99.18	0.47	2.67	383.62	6.125	1/31/2019	N	200,000
ARAB REPUBLIC OF EGYPT	EGYPT	Sovereign	1/31/2027	B-	7.89	97.68	2.01	5.73	526.62	7.500	1/31/2019	N	200,000
HUNGARY	HUNGARY	Sovereign	2/21/2023	BBB+	3.65	106.54	0.02	3.62	108.50	5.375	2/21/2019	N	2,000
ADECOGRAS SA	LUXEMBOURG	Agriculture	9/21/2027	BB	8.31	85.90	0.00	6.32	566.27	6.000	3/30/2019	N	150,000
REPUBLIC OF IRAQ	IRAQ	Sovereign	3/9/2023	B-	7.57	97.12	1.23	3.48	500.41	6.752	3/9/2019	N	200,000
KINGDOM OF JORDAN	JORDAN	Sovereign	10/10/2047	B+	8.28	90.12	0.31	10.85	551.51	7.375	4/10/2019	N	200,000
KINGDOM OF JORDAN	JORDAN	Sovereign	1/29/2026	B+	6.71	96.76	0.19	5.46	410.44	6.125	1/29/2019	N	200,000
KINGDOM OF JORDAN	JORDAN	Sovereign	1/31/2027	B+	6.88	93.12	0.32	6.11	424.56	5.750	1/31/2019	N	200,000
PETROBRAS GLOBAL FINANCE	NETHERLANDS	Oil&Gas	5/20/2023	BB-	4.96	97.71	0.35	3.89	240.40	4.375	5/20/2019	N	2,000
BRASKEM NETHERLANDS	NETHERLANDS	Chemicals	1/10/2023	BBB-	4.60	96.02	0.22	3.61	203.88	3.500	1/10/2019	N	200,000
PETROBRAS GLOBAL FINANCE	NETHERLANDS	Oil&Gas	1/27/2025	BB-	5.82	97.39	0.24	4.97	323.31	5.299	1/27/2019	N	2,000
PETROBRAS GLOBAL FINANCE	NETHERLANDS	Oil&Gas	1/27/2028	BB-	6.44	96.98	0.29	6.67	379.10	5.999	1/27/2019	N	2,000
EQUATE PETROCHEMICAL BV	NETHERLANDS	Chemicals	11/3/2026	BBB	4.58	98.13	0.26	6.52	191.18	4.250	5/3/2019	N	200,000
ELECTRICITE DE FRANCE SA	FRANCE	Electric	9/21/2028	A-	4.65	98.80	0.49	7.65	198.08	4.500	3/21/2019	N	200,000
EQUATE PETROCHEMICAL BV	NETHERLANDS	Chemicals	3/3/2022	BBB	3.84	97.52	0.15	2.94	126.76	3.000	3/3/2019	N	200,000
OMAN GOV INTERTNL BOND	OMAN	Sovereign	6/15/2026	BB+	6.89	87.72	0.27	6.03	429.58	4.750	6/15/2019	N	200,000
OMAN GOV INTERTNL BOND	OMAN	Sovereign	6/15/2021	BB+	5.52	95.75	0.08	2.28	287.29	3.625	6/15/2019	N	200,000
REPUBLIC OF PORTUGAL	PORTUGAL	Sovereign	10/15/2024	BBB+	4.05	105.48	0.02	4.63	147.03	5.125	4/15/2019	N	200,000
SAUDI INTERNATIONAL BOND	SAUDI ARABIA	Sovereign	10/26/2021	A+	3.37	97.36	0.23	2.66	77.91	2.375	4/26/2019	N	200,000
SAUDI INTERNATIONAL BOND	SAUDI ARABIA	Sovereign	10/26/2026	A+	4.02	94.89	0.28	6.74	139.57	3.250	4/26/2019	N	200,000
SAUDI INTERNATIONAL BOND	SAUDI ARABIA	Sovereign	10/26/2046	A+	4.96	93.17	0.87	15.14	216.76	4.500	4/26/2019	N	200,000
DAR AL-ARKAN SUKUK CO LT	SAUDI ARABIA	Real Estate	5/28/2019	NR	4.04	100.93	-0.03	0.38	127.31	6.500	5/28/2019	Y	200,000
TAJKISTAN INT BOND	TAJKISTAN	Sovereign	9/14/2027	B-	8.88	89.50	0.47	5.37	658.00	7.125	3/14/2019	N	200,000
BNQ CEN TUNISIA INT BOND	TUNISIA	Banks	1/30/2025	B	8.95	85.29	0.12	4.75	636.37	5.750	1/30/2019	N	200,000
ALBARAKA TURK KATILIM BA	TURKEY	Banks	6/30/2019	NR	5.61	100.29	-0.11	0.46	284.13	6.250	6/30/2019	Y	200,000
QNB FINANSBANK AS/TURKEY	TURKEY	Banks	4/30/2019	BB-	3.65	100.78	0.00	0.30	86.45	6.250	4/30/2019	N	200,000
KOC HOLDING AS	TURKEY	Holding Companies-Divers	3/15/2023	BB-	6.61	95.10	0.53	3.61	404.74	5.250	3/15/2019	N	200,000
TURKCELL ILETISIM HIZMET	TURKEY	Telecommunications	10/15/2025	BB	7.15	92.56	0.24	5.37	455.69	5.750	4/15/2019	N	200,000
REPUBLIC OF TURKEY	TURKEY	Sovereign	4/14/2026	BB-	6.63	86.45	0.22	5.97	402.04	4.250	4/14/2019	N	200,000
REPUBLIC OF TURKEY	TURKEY	Sovereign	3/30/2021	BB-	5.46	100.34	0.00	2.03	282.87	5.625	3/30/2019	N	100,000
TURKIYE IS BANKASI A.S	TURKEY	Banks	12/10/2023	CCC+	10.83	88.85	1.14	3.88	826.19	7.850	6/10/2019	N	200,000
KT KIRA SERT VARLIK	TURKEY	Banks	11/2/2021	NR	6.02	97.75	0.20	2.55	341.94	5.136	5/1/2019	Y	200,000
TURKIYE IS BANKASI A.S	TURKEY	Banks	6/25/2021	B	8.38	92.63	0.28	2.24	575.97	5.000	6/25/2019	N	200,000
EMIRATES AIRLINES	UAE	Airlines	2/6/2025	BB+	4.75	98.69	-0.01	2.69	253.04	4.500	2/6/2019	N	200,000
ELECTRICITE DE FRANCE SA	FRANCE	Electric	9/21/2028	A-	4.65	98.80	0.49	7.65	198.08	4.500	3/21/2019	N	200,000
BURGAN SENIOR SPC LTD	UAE	Banks	9/14/2021	A	4.00	97.80	0.02	2.51	139.67	3.125	9/14/2019	N	200,000
ABU DHABI NATIONAL ENERGY	UAE	Electric	1/12/2023	A-	3.95	98.80	0.17	3.62	139.06	3.625	1/12/2019	N	200,000
ABU DHABI NATIONAL ENERGY	UAE	Electric	5/6/2024	A-	4.12	98.85	0.24	4.73	154.70	3.875	5/6/2019	N	200,000
ABU DHABI NATIONAL ENERGY	UAE	Electric	6/22/2026	A-	4.38	99.95	0.45	6.29	176.82	4.375	6/22/2019	N	200,000

Source: Bloomberg. All Prices are Indicative

MENA New Issues Update

Security Name	Country of Risk	Industry Group	Maturity	Credit Rating	Ask YTM %	Ask Price	Price Change % WTD	Duration	Amount Issued	Coupon %	Next Coupon Payment	Shari'ah Compliant	Min Piece
NMC HEALTH SUKUK LTD	CAYMAN ISLANDS	Healthcare-Services	11/21/2023	NR	5.57	101.60	0.04	4.15	400,000,000	5.950	5/21/2019	Y	200,000
IDB TRUST SERVICES LTD	JERSEY	Multi-National	11/7/2023	AAA	0.34	101.02	-0.03	4.75	650,000,000	0.554	11/7/2019	Y	100,000
MDC-GMTN B.V.	NETHERLANDS	Investment Companies	11/7/2028	AA	4.10	103.19	0.10	7.86	800,000,000	4.500	5/7/2019	N	200,000
OIL & GAS HOLDING	BAHRAIN	Oil&Gas	11/7/2028	NR	7.95	102.83	0.33	6.57	500,000,000	8.375	5/7/2019	N	200,000
OIL & GAS HOLDING	BAHRAIN	Oil&Gas	11/7/2024	NR	6.90	103.44	0.28	4.61	500,000,000	7.625	5/7/2019	N	200,000
OMAN SOVEREIGN SUKUK	OMAN	Sovereign	10/31/2025	BB+	6.64	96.18	0.35	5.42	1,500,000,000	5.932	4/30/2019	Y	200,000
TABREED SUKUK SPC LTD	UAE	Holding Companies-Divers	10/31/2025	BBB-	5.12	102.13	0.15	5.58	500,000,000	5.500	4/30/2019	Y	200,000
REPUBLIC OF TURKEY	TURKEY	Sovereign	12/23/2023	BB-	6.90	103.10	0.04	4.97	2,000,000,000	7.250	6/23/2019	N	200,000
SABIC CAPITAL I BV	NETHERLANDS	Chemicals	10/10/2028	A+	4.43	100.53	0.25	7.74	1,000,000,000	4.500	4/10/2019	N	200,000
SABIC CAPITAL I BV	NETHERLANDS	Chemicals	10/10/2023	A	3.89	100.49	0.32	4.25	1,000,000,000	4.000	4/10/2019	N	200,000
AKCB FINANCE LTD	CAYMAN ISLANDS	Banks	10/9/2023	A-	4.62	100.54	0.25	4.16	500,000,000	4.750	4/9/2019	N	200,000
ALDAR SUKUK LTD	CAYMAN ISLANDS	Real Estate	9/29/2025	NR	4.68	100.39	0.16	5.63	500,000,000	4.750	3/29/2019	Y	200,000
SAUDI ELEC GLB SUKUK	CAYMAN ISLANDS	Electric	9/27/2028	A	4.77	99.64	0.25	7.61	1,200,000,000	4.723	3/27/2019	Y	200,000
SAUDI ELEC GLB SUKUK	CAYMAN ISLANDS	Electric	1/27/2024	A	4.11	100.49	0.24	4.45	800,000,000	4.222	1/27/2019	Y	200,000
AHB SUKUK CO	CAYMAN ISLANDS	Banks	9/19/2023	A	4.19	100.77	0.14	4.15	500,000,000	4.375	3/19/2019	Y	200,000
ADIB CAPITAL INVEST TWO	CAYMAN ISLANDS	Holding Companies-Divers	Perp	NR	6.43	106.54	0.13	3.91	750,000,000	7.125	3/20/2019	Y	200,000
KSA SUKUK LTD	CAYMAN ISLANDS	Sovereign	1/19/2029	A+	4.19	100.94	0.52	7.98	2,000,000,000	4.203	1/19/2019	Y	200,000
ARAB PETROLEUM INVST	SNAT	Multi-National	9/18/2023	NR	3.91	100.92	0.14	4.18	750,000,000	4.125	3/18/2019	N	200,000
CBQ FINANCE LTD	BERMUDA	Banks	5/24/2023	BBB+	4.71	101.11	0.19						

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