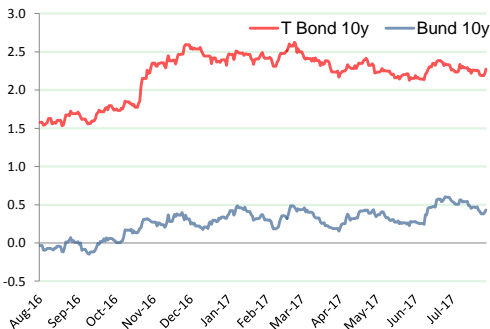
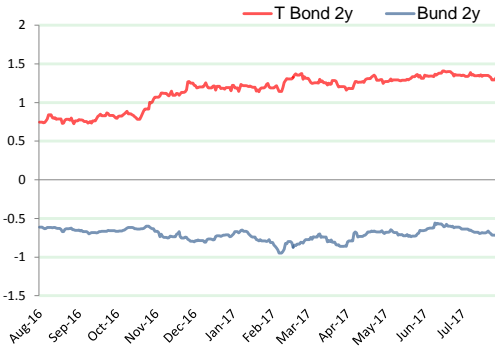


# MORNING BOND UPDATE

Thursday, August 17, 2017



	Last	Prev	02.janv
US 2y	1.33	1.33	0.70
US 10y	2.23	2.22	2.20
Germany 2y	-0.71	-0.71	-0.10
Germany 10y	0.43	0.45	0.54
France 2y	-0.48	-0.47	-0.05
France 10y	0.72	0.74	0.81
Swiss 2y	-0.80	-0.81	-0.28
Swiss 10y	-0.09	-0.08	0.32
Australia 2y	1.81	1.82	2.21
Australia 10y	2.64	2.66	2.87

## T Bonds

\*\* U.S. Treasury yields fell on Wednesday, with benchmark yields retreating from one-week highs as U.S. President Donald Trump's dissolving of two business advisory groups and the Federal Reserve's record of its July policy meeting raised economic worries.

Trump's move came as several chief executives in those groups quit following his response to the weekend of violence in Virginia, which some perceived as supportive of white supremacists. The dismantling of the panels shook investor confidence in Trump's ability to enact the promises he made during his presidential campaign, in particular tax reform.

"It will be tough for his agenda to pass. Those worries grow with the disbanding of the council and forum," Chris Gaffney, President of EverBank World Markets in St. Louis, Missouri, said of Trump's Manufacturing Council and Strategy and Policy Forum.

Meanwhile, Fed policy-makers seemed more wary about the softening in inflation, with some calling to stop further rate increases until it is clear the trend was transitory, according to Fed's minutes on its July 25-26 policy meeting.

Interest rates futures implied traders saw a 45 percent chance the Fed would raise rates at its December meeting, down from 48 percent late Tuesday, CME Group's FedWatch tool showed.

The benchmark 10-year Treasury note yield was 2.227 percent, down 4 basis points from late Tuesday, while the 30-year bond yield was 2.811 percent, nearly 3 basis point lower from Tuesday's close, Reuters data showed.

Treasury yields reached one-week peaks earlier Wednesday in line with their European counterparts on stronger-than-forecast annual growth in the euro zone. They have risen this week as investors reduced safe-haven bond holdings due to easing tensions between the United States and North Korea.

Bond yields began receding following a Reuters report that European Central Bank President Mario Draghi will not deliver a new policy message at the Fed's Jackson Hole conference this month.

Traders had speculated Draghi might float the notion the ECB would reduce its bond purchases later this year as the region's economy has improved.

"I think this is mildly bullish (for bonds), but I'm not sure it changes much as far as guidance on tapering from Draghi," said Aaron Kohli, interest rates strategist at BMO Capital Markets in New York.

U.S. yields retreated further after data showed domestic home construction unexpectedly fell 4.8 percent in July, raising doubts about the strength of the housing market in the third quarter.

## European Union

\*\* The gap between Italy's and Germany's bond yields narrowed on Wednesday as Rome posted healthy growth numbers that should help keep its high debt levels in check.

Italy's economy maintained firm growth in the second quarter, in line with expectations, thanks to healthy domestic demand which offset a negative contribution from trade, data showed on Wednesday.

"It will really help bring down the debt-to-GDP ratio, which is one of the key drivers of the (Italy-Germany) spread," said an analyst.

"We still expect the spread to widen out to over 200 bps ahead of next year's elections, but the growth momentum will certainly help keep that down."

The gap between Italian and German 10-year borrowing costs, an indicator of risk sentiment in the euro zone bond market, narrowed by as much as 3 basis points to 159 bps on Wednesday.

At that level, the spread is 50 basis points below some of the widest levels seen earlier this year, when French elections and the prospect of snap Italian elections weighed on the market.

The difference between Italian and German borrowing costs is driven by a number of factors, including the credit rating of the two countries, political risk and concerns over the Italian banking sector.

But underpinning these is Italy's high debt levels and its hitherto flatlining economy; the country went through a two-year recession following the debt crises of 2010-2012.

At 132.6 percent at the end of 2016, Italy's debt-to-GDP ratio is still the highest in the euro zone after Greece and amongst the highest in the world.

"But if you are seeing some growth returning, that would be encouraging for Italy and the debt-to-GDP ratio can be brought under control," said an analyst.

High-grade euro zone bond yields dipped in early trade on reports that European Central Bank President Mario Draghi will not deliver a new policy message at the U.S. Federal Reserve's Jackson Hole conference.

Soon after, however, data showed euro zone growth expanded by more than previously forecast on an annual basis, pushing yields higher across the board.

The yield on Germany's 10-year government bond hit a one-week high of 0.46 percent, before closing some 1 bps higher on the day at 0.44 percent.

## Other Markets :

\*\* The Bank of Japan could trim its bond purchases again as early as Friday should the 10-year yield fall further, and the yen and stocks remain stable, money managers say.

The 10-year yield dropped to 0.04 percent on Wednesday, its lowest since June 7, after the central bank offered to buy 30 billion yen (\$273 million) less of debt maturing in five to 10 years at its regular operations. As the benchmark yield drops further away from the 0.1 percent level that markets see as a cap, it may give the BOJ some more leeway to reduce purchases.

"If the 10-year yield falls tomorrow, a cut is possible," said an analyst. "The BOJ probably wants to reduce buying as long as the 10-year yield is within the minus 0.1 percent policy rate and around 0.1 percent. It could trim purchases in other maturities if yields keep falling as they are not subject to its target."

The BOJ's reduction in purchases in the five-to-10 year zone to the lowest since January came after it boosted them last month to halt an increase in the 10-year yield, which rose to a five-month high of 0.105 percent amid a global bond selloff. It declined as the selloff abated and has extended its slide this week even those on U.S. Treasuries climbed.

A reduction in geopolitical risks around the Korean peninsula has boosted stocks worldwide this week and helped drive the yen lower.

"The BOJ wants to save ammunition by cutting bond purchases while it can" as a favorable external environment reduces the odds of yields rising in response to its purchase operations, said an analyst. "The drop in 10-year yield after the latest cut shows limited side effects, so a reduction on Friday is possible if yields fall further."

For a complete bond selection please check the weekly bond list on intranet. For further informations please call the Transactions Desk at +41 58 321 96 44

This document has been prepared by the Transactions Desk of CA Indosuez (Switzerland) S.A. It is not considered as a financial analysis regarding the SBA directives aiming to guarantee the financial analysis independence. Therefore these directives do not apply to it.

# DAILY BOND LIST

Thursday, August 17, 2017

ISIN	Ccy	Issue Size M.	Min. Unit K	Incr. Unit K	Coupon %	Coupon Type	Name	Country of Risk	Maturity	Ind. Ask Price	Yield %	Rating S&P	Rating Moody's
<b>Investment Grade New Issues</b>													
<i>*watchlist for downgrade</i>													
US37045VAM28	USD	500	2	1	2.1167	FLOATING	GENERAL MOTORS CO	US	07.08.2020	100.06	2.10	BBB	Baa3
USU05526AE50	USD	2250	2	1	2.297	FIXED	BAT CAPITAL CORP	GB	14.08.2020	100.18	2.23	BBB+	Baa2
USU05526AF26	USD	1000	2	1	1.9007063	FLOATING	BAT CAPITAL CORP	GB	14.08.2020	100.12	1.87	BBB+	Baa2
XS1648466016	USD	500	200	1	2.875	FIXED	CHINA RAILWAY XUNJIE	CN	25.07.2022	100.54	2.76	#N/A N/A	A3
XS1645113165	USD	300	200	1	3.125	FIXED	SINOCHEM INT DEV PTE LTD	CN	25.07.2022	100.07	3.11	BBB+	Baa1
XS1628031582	USD	400	200	1	3.25	FIXED	CANARA BANK LONDON	IN	10.08.2022	100.54	3.13	#N/A N/A	Baa3
USU05526AG09	USD	2250	2	1	2.764	FIXED	BAT CAPITAL CORP	GB	15.08.2022	100.24	2.71	BBB+	Baa2
USU05526AH81	USD	750	2	1	2.195	FLOATING	BAT CAPITAL CORP	GB	15.08.2022	100.21	2.15	BBB+	Baa2
US579780AL12	USD	750	2	1	2.7	FIXED	MCCORMICK & CO	US	15.08.2022	100.63	2.56	BBB	Baa2
US579780AM94	USD	700	2	1	3.15	FIXED	MCCORMICK & CO	US	15.08.2024	100.78	3.02	BBB	Baa2
USU05526AJ48	USD	2500	2	1	3.222	FIXED	BAT CAPITAL CORP	GB	15.08.2024	100.68	3.11	BBB+	Baa2
US579780AN77	USD	750	2	1	3.4	FIXED	MCCORMICK & CO	US	15.08.2027	100.52	3.34	BBB	Baa2
USU05526AK11	USD	3500	2	1	3.557	FIXED	BAT CAPITAL CORP	GB	15.08.2027	100.49	3.50	BBB+	Baa2
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	100.51	4.14	BBB	Baa3
XS1657899628	USD	400	200	1	3.95	FIXED	INCITEC PIVOT FIN LLC	AU	03.08.2027	101.05	3.82	BBB	Baa2
US00206REM07	USD	5000	2	1	3.9	FIXED	AT&T INC	US	14.08.2027	99.99	3.90	BBB+ /*-	Baa1 /*-
XS1651071521	EUR	500	100	1	0	FLOATING	THERMO FISHER SCIENTIFIC	US	24.07.2019	100.37	-0.19	BBB	Baa2
XS1623981641	EUR	400	100	1	1.35	FIXED	SHOUGANG GROUP	CN	07.08.2020	100.68	1.12	#N/A N/A	#N/A N/A
XS1664643746	EUR	1100	100	1	0.171	FLOATING	BAT CAPITAL CORP	GB	16.08.2021	100.41	0.07	BBB+	Baa2
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.46	0.88	BBB+	Baa2
XS1647481206	EUR	1000	100	1	2.15	FIXED	REPUBLIC OF INDONESIA	ID	18.07.2024	102.38	1.78	#N/A N/A	Baa3
XS1652512457	EUR	750	100	1	1.375	FIXED	DS SMITH PLC	GB	26.07.2024	100.80	1.25	BBB-	#N/A N/A
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.27	1.92	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	102.72	2.00	BBB+	Baa2
XS1651072099	EUR	700	100	1	2.875	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2037	101.92	2.75	BBB	Baa2
AU3FN0036570	AUD	375	10	10	2.77	FLOATING	BK OF COMMUNICATIONS/SYD	CN	21.09.2020	100.19	3.05	A-	#N/A N/A
XS1640493299	GBP	300	100	1	1.7	FIXED	FIDELITY NATIONAL INFORM	US	30.06.2022	101.27	1.43	BBB	Baa2
XS1642733932	GBP	250	100	1	2.5	FIXED	GO-AHEAD GROUP PLC	GB	06.07.2024	101.01	2.34	BBB-	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	102.80	2.26	(P)BBB	#N/A N/A
XS1664647499	GBP	450	100	1	2.125	FIXED	BAT CAPITAL CORP	GB	15.08.2025	100.26	2.09	BBB+	Baa2
XS1641479750	AUD	500	200	2	4.4	FIXED	CREDIT AGRICOLE LONDON	FR	06.07.2027	99.31	4.49	BBB+	Baa2
XS1652512705	GBP	250	100	1	2.875	FIXED	DS SMITH PLC	GB	26.07.2029	100.78	2.80	BBB-	#N/A N/A
<b>Below Investment Grade New Issues</b>													
DE000A19FW97	EUR	200	100	1	5.625	FIXED	SCHMOLZ+BICKEN LX FIN SA	LU	15.07.2022	106.76	4.09	B+	B2
USN3700LAC92	USD	350	200	1	4.875	FIXED	GREENKO DUTCH BV	IN	24.07.2022	100.22	4.82	#N/A N/A	Ba2
XS1637076164	USD	700	200	1	4.75	FIXED	COUNTRY GARDEN HLDGS	CN	25.07.2022	100.40	4.66	#N/A N/A	Ba1
CH0370943570	CHF	75	5	5	3.625	FIXED	HELVETIA ENVIRON GROUP	CH	26.07.2022	104.61	2.61	#N/A N/A	#N/A N/A
XS1577956516	GBP	370	100	1	5	FIXED	MCLAREN FINANCE PLC	GB	01.08.2022	101.29	4.70	(P)B	B2e
USL0427PAA41	USD	400	2	1	6.125	FIXED	ATENTO LUXCO 1 SA	ES	10.08.2022	102.63	5.51	#N/A N/A	Ba3
USG65309AA76	USD	250	200	1	5.75	FIXED	MCLAREN FINANCE PLC	GB	01.08.2022	103.34	4.98	(P)B	B2e
CH0370943562	CHF	335	5	5	3	FIXED	MSC CRUISES SA	CH	14.07.2023	101.97	2.63	#N/A N/A	#N/A N/A
USN3700LAB10	USD	650	200	1	5.25	FIXED	GREENKO DUTCH BV	IN	24.07.2024	100.22	5.21	#N/A N/A	Ba2
XS1651444140	EUR	650	100	1	2.125	FIXED	EUROFINS SCIENTIFIC SE	LU	25.07.2024	101.56	1.88	#N/A N/A	#N/A N/A
USG9328DAP53	USD	1000	200	1	6.125	FIXED	VEDANTA RESOURCES PLC	IN	09.08.2024	100.16	6.10	B+	B3
USC4949AAE04	USD	500	2	1	4.5	FIXED	KINROSS GOLD CORP	CA	15.07.2027	100.36	4.45	BB+	Ba1

## Expected New Issues

**Bold type** : new entries of the day

For a complete bond selection please check the weekly bond list on intranet. For further informations please call the Transactions Desk at +41 58 321 96 44

This document has been prepared by the Transactions Desk of CA Indosuez (Switzerland) S.A. It is not considered as a financial analysis regarding the SBA directives aiming to guarantee the financial analysis independence. Therefore these directives do not apply to it.