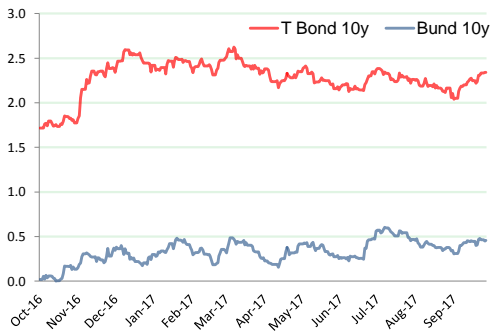
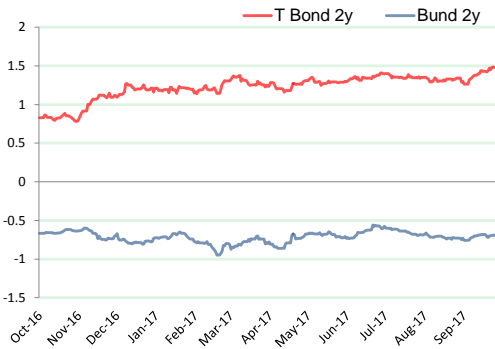


MORNING BOND UPDATE

Tuesday, October 03, 2017



| | Last | Prev | 02.janv |
|---------------|-------|-------|---------|
| US 2y | 1.48 | 1.48 | 0.70 |
| US 10y | 2.34 | 2.34 | 2.20 |
| Germany 2y | -0.71 | -0.71 | -0.10 |
| Germany 10y | 0.46 | 0.45 | 0.54 |
| France 2y | -0.50 | -0.50 | -0.05 |
| France 10y | 0.74 | 0.74 | 0.81 |
| Swiss 2y | -0.79 | -0.80 | -0.28 |
| Swiss 10y | -0.01 | -0.01 | 0.32 |
| Australia 2y | 1.96 | 1.95 | 2.21 |
| Australia 10y | 2.84 | 2.84 | 2.87 |

T Bonds

** U.S. Treasury yields rose on Monday in choppy trading, as Wall Street shares hit record highs and the dollar gained amid upbeat data on U.S. manufacturing and construction spending that backed expectations of another rate increase before the end of the year.

Yields fell earlier after a mass shooting in Las Vegas and political uncertainty in Europe caused by a Spanish referendum prompted investors to seek the safety of bonds.

"I think (Treasury) buying has just petered out," said an analyst.

"Wall Street is at record highs again and the dollar is gaining. So I think money is flowing back into stocks again and the bond market is a little bit fearful of what's going to happen at the Federal Reserve, like if we get a more hawkish chairman and if data continues to be strong and inflation picks up such that the Fed doesn't have much choice but to raise rates," she added.

Analysts, however, said the overall market sentiment remained cautious, with last week's optimism about U.S. President Donald Trump's tax plan also fading.

"The focus is off tax reform at the moment given the political uncertainty with the Spanish referendum and the unfortunate tragedy in Las Vegas," said an analyst.

Violence erupted in Catalonia after residents voted 90 percent on Sunday in favor of breaking away from Spain in a referendum that the Spanish government later declared illegal.

In the United States, at least 58 people died and more than 500 were injured when a 64-year-old gunman with an arsenal of at least 10 rifles fired on a Las Vegas country music festival on Sunday in what has been the deadliest mass shooting in U.S. history.

Political tension remained palpable despite strong U.S. economic data.

The Institute for Supply Management index rose to 60.8 in September, from 58.8 in August, exceeding expectations for a reading of 58. The components of the index showed gains across the board.

U.S. construction spending also rebounded in August after two straight months of declines, boosted by increases in both private and public outlays. Construction spending rose 0.5 percent to \$1.21 trillion.

In late trading, the benchmark 10-year U.S. Treasury note yield was 2.333 percent, up slightly from 2.326 percent late on Friday, while the 30-year yield rose to 2.864 percent from 2.858 percent.

European Union

** The Spanish government's borrowing costs surged and its stock market tumbled on Monday as investors weighed up the political fallout from the violent police crackdown on an independence vote in the wealthy region of Catalonia.

The euro also drifted lower against the dollar after local officials said 90 percent of voters favored secession in Sunday's referendum, which Madrid declared illegal.

That opened the door to a unilateral declaration of independence in a region that accounts for a fifth of Spain's economy and whose tax revenues are crucial to the national budget.

While many analysts expect the crisis to be resolved with an offer of more autonomy, they said the uncertainty could have an impact on the country's economic growth and taint the reputation of Prime Minister Mariano Rajoy, who heads a minority government.

"This is probably the worst outcome for Madrid - there was violence but they didn't stop the vote either and public opinion in Catalonia is more polarized," said an analyst, referring to reports of nearly 900 injured in the clashes with police.

"It is clear that risks to government stability are increasing."

Mainstream parties largely back Rajoy's opposition to Catalan independence, but the premier faces criticism over his handling of the issue.

Spanish government bond yields rose as much as 10 basis points to 1.713 percent, expanding the gap with the benchmark German equivalents to its widest in nearly four months.

They pulled back slightly but remained 7 bps higher in late trade at 1.68 percent.

The cost of insuring exposure to Spanish debt via credit default swaps also rose to a near one-month high.

After affirming Spain's BBB+ credit rating on Friday, S&P Global said tensions between central government and Catalan authorities could start to weigh on business confidence and investment.

Analysts said one way forward would be to offer Catalonia greater financial autonomy, something that could weigh on national finances.

"More fiscal autonomy for Catalonia is a baseline scenario," said an analyst. "This would be a slight negative for Spain because even if you assume Catalonia covers its share of the national debt, that still leaves the national government with a shortfall to cover."

In a note, analysts at ABN AMRO said that everything else being equal, Spain's government debt ratio would probably rise from around 99 percent of gross domestic product now to around 115 percent in case of an independent Catalonia.

Spain's benchmark IBEX equity index closed down 1.5 percent, its biggest one-day fall in almost two months. Banco de Sabadell and CaixaBank, both based in Catalonia, fell around 4.5 percent each.

The impact outside Spain was modest, with the euro losing 0.5 percent against a broadly stronger dollar.

The sharp rise in Spanish government bond yields also pulled its Italian peers to their highest in 2 1/2 months at 2.26 percent.

Other Markets :

** Japanese government bond yields tracked a rise in their U.S. peers and rose on Tuesday, with a 10-year bond auction drawing lukewarm demand as a surge in equities curbed investor interest towards safe-haven debt.

The benchmark 10-year JGB yield rose 1 basis point to 0.080 percent, highest since July 26. The 20-year yield edged up half a basis point to 0.595 percent.

The bid-to-cover ratio, a gauge of demand, at Tuesday's 2.3 trillion yen (\$20.33 billion) 10-year JGB auction rose to 4.08 from 3.95 at the previous sale in September.

However, the lowest accepted auction price came in at 100.17 yen, below dealers' expectations of 100.22 yen, an indication that investor demand for the new JGBs remains soft.

Japanese stocks hit fresh two-year highs on Tuesday, tracking a Wall Street rally as upbeat manufacturing and construction spending data pointed to underlying strength in the U.S. economy.

The benchmark Treasury yield climbed to a three-month high on Monday in the wake of the robust economic indicators and Wall Street's surge.

DAILY BOND LIST

Tuesday, October 03, 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 |
|--|-----|---------------|-------------|--------------|----------|-------------|--------------------------|-----------------|------------|----------------|---------|------------|----------------|
| Investment Grade New Issues | | | | | | | | | | | | | |
| <i>*watchlist for downgrade</i> | | | | | | | | | | | | | |
| XS1687735107 | USD | 300 | 200 | 1 | 2.28083 | FLOATING | HANJIN INTERNATIONAL COR | KR | 28.09.2020 | 100.14 | 2.24 | #N/A N/A | Aa2 |
| USG2178XAA03 | USD | 1000 | 200 | 1 | 2.25 | FIXED | CK HUTCHISON INTL 17 LTD | HK | 29.09.2020 | 99.80 | 2.32 | A- | A3e |
| XS1692890343 | USD | 450 | 200 | 1 | 2.10556 | FLOATING | IND & COMM BK CHINA/LUX | CN | 12.10.2020 | 100.15 | 2.05 | #N/A N/A | A1e |
| XS1686463305 | USD | 400 | 200 | 1 | 3.375 | FIXED | VOYAGE BONDS LTD | CN | 28.09.2022 | 99.77 | 3.43 | #N/A N/A | #N/A N/A |
| XS1691909177 | USD | 400 | 200 | 1 | 2.875 | FIXED | IND & COMM BK CHINA/LUX | CN | 12.10.2022 | 100.09 | 2.86 | #N/A N/A | A1 |
| USG2178XAB85 | USD | 750 | 200 | 1 | 2.75 | FIXED | CK HUTCHISON INTL 17 LTD | HK | 29.03.2023 | 99.64 | 2.82 | A- | A3e |
| XS1694216687 | USD | 3000 | 200 | 1 | 2.875 | FIXED | SAUDI INTERNATIONAL BOND | SA | 04.03.2023 | 99.80 | 2.91 | #N/A N/A | A1 |
| XS1577950402 | USD | 500 | 200 | 1 | 4.215 | FIXED | COCA-COLA ICECEK AS | TR | 19.09.2024 | 101.84 | 3.91 | #N/A N/A | Baa3 |
| XS1688567251 | USD | 400 | 200 | 1 | 3.625 | FIXED | MIRVAC GROUP FINANCE LTD | AU | 18.03.2027 | 98.35 | 3.84 | BBB+ | A3 |
| USG2178XAC68 | USD | 500 | 200 | 1 | 3.25 | FIXED | CK HUTCHISON INTL 17 LTD | HK | 29.09.2027 | 99.37 | 3.32 | A- | A3e |
| US37045VAN01 | USD | 750 | 2 | 1 | 4.2 | FIXED | GENERAL MOTORS CO | US | 01.10.2027 | 102.09 | 3.94 | BBB | Baa3 |
| USP57908AG32 | USD | 500 | 200 | 1 | 4 | FIXED | MEXICHEM SAB DE CV | MX | 04.10.2027 | 100.41 | 3.95 | BBB- | #N/A N/A |
| XS1694217495 | USD | 5000 | 200 | 1 | 3.625 | FIXED | SAUDI INTERNATIONAL BOND | SA | 04.03.2028 | 99.81 | 3.65 | #N/A N/A | A1 |
| USP6629MAC66 | USD | 1000 | 200 | 1 | 3.875 | FIXED | MEXICO CITY ARPT TRUST | MX | 30.04.2028 | 99.90 | 3.89 | BBB+ | Baa1e |
| XS1694218469 | USD | 4500 | 200 | 1 | 4.625 | FIXED | SAUDI INTERNATIONAL BOND | SA | 04.10.2047 | 100.69 | 4.58 | #N/A N/A | A1 |
| USP6629MAD40 | USD | 3000 | 200 | 1 | 5.5 | FIXED | MEXICO CITY ARPT TRUST | MX | 31.07.2047 | 101.53 | 5.40 | BBB+ | Baa1e |
| USP57908AH15 | USD | 500 | 200 | 1 | 5.5 | FIXED | MEXICHEM SAB DE CV | MX | 15.01.2048 | 99.65 | 5.52 | BBB- | #N/A N/A |
| XS1691909334 | EUR | 1100 | 100 | 1 | 0.221 | FLOATING | IND & COMM BK CHINA/LUX | ES | 12.10.2020 | 100.20 | 0.15 | #N/A N/A | A1 |
| XS1692378323 | EUR | 250 | 100 | 1 | 1.125 | FIXED | HOIST KREDIT AB | ES | 04.10.2021 | 100.01 | 1.12 | #N/A N/A | Baa3 |
| XS1691349796 | EUR | 550 | 100 | 1 | 0.918 | FIXED | NORTEGAS ENERGIA DISTRI | ES | 28.09.2022 | 100.48 | 0.82 | BBB- | #N/A N/A |
| XS1678629186 | EUR | 200 | 1 | 1 | 0.875 | FIXED | GRENKE FINANCE PLC | DE | 07.10.2022 | 100.73 | 0.73 | BBB+ | #N/A N/A |
| XS1693959931 | EUR | 600 | 100 | 1 | 2.125 | FIXED | CPI PROPERTY GROUP SA | DE | 04.10.2024 | 100.68 | 2.02 | #N/A N/A | Baa3 |
| XS1686846061 | EUR | 600 | 100 | 1 | 1.625 | FIXED | ANGLO AMERICAN CAPITAL | GB | 18.09.2025 | 99.80 | 1.65 | #N/A N/A | Baa3 |
| XS1577951129 | EUR | 500 | 100 | 1 | 1.375 | FIXED | GOODMAN AUSTRALIA FIN | AU | 27.09.2025 | 100.17 | 1.35 | BBB+ | Baa1 |
| XS1689523840 | EUR | 600 | 100 | 1 | 1.125 | FIXED | BRENTAG FINANCE BV | DE | 27.09.2025 | 99.45 | 1.20 | BBB | Baa3 |
| XS1691349952 | EUR | 750 | 100 | 1 | 2.065 | FIXED | NORTEGAS ENERGIA DISTRI | ES | 28.09.2027 | 100.62 | 2.00 | BBB- | #N/A N/A |
| XS1681521081 | EUR | 1250 | 100 | 100 | 1.715 | FIXED | TELEFONICA EMISIONES SAU | ES | 12.01.2028 | 99.82 | 1.73 | BBB | Baa3 |
| XS1651071950 | EUR | 700 | 100 | 1 | 1.95 | FIXED | THERMO FISHER SCIENTIFIC | US | 24.07.2029 | 100.29 | 1.92 | BBB | Baa2 |
| CH0383104376 | CHF | 125 | 5 | 5 | 1.05 | FIXED | COOPERATIVA PERSONAL U C | CL | 15.10.2021 | 100.30 | 0.97 | #N/A N/A | Baa2 |
| XS1674925505 | GBP | 350 | 100 | 1 | 2.25 | FIXED | GENERAL MOTORS FINL CO | US | 06.09.2024 | 98.07 | 2.56 | BBB | Baa3 |
| XS1645518496 | GBP | 625 | 100 | 1 | 2.646 | FIXED | ANNINGTON FUNDING PLC | GB | 12.07.2025 | 101.25 | 2.47 | (P)BBB | #N/A N/A |
| AU3CB0246676 | AUD | 450 | 10 | 10 | 4.1 | FIXED | FBG FINANCE PTY LTD | BE | 06.09.2027 | 98.21 | 4.32 | A- | A3 |
| AU3CB0247740 | AUD | 200 | 10 | 10 | 4.85 | FIXED | EMIRATES NBD PJSC | AE | 12.10.2027 | 101.33 | 4.68 | #N/A N/A | A3e |
| Below Investment Grade New Issues | | | | | | | | | | | | | |
| US25470DAN93 | USD | 500 | 2 | 1 | 2.2 | FIXED | DISCOVERY COMMUNICATIONS | US | 20.09.2019 | 100.49 | 1.94 | BBB- | Baa3 |
| XS1691349010 | USD | 500 | 200 | 1 | 5.125 | FIXED | TC ZIRAAT BANKASI AS | TR | 29.09.2023 | 101.09 | 4.91 | #N/A N/A | Ba1 |
| FR0013284643 | EUR | 500 | 100 | 100 | 4.196 | FIXED | ERAMET | FR | 28.02.2024 | 100.56 | 4.10 | #N/A N/A | #N/A N/A |
| USG25343AA52 | USD | 500 | 200 | 1 | 5.95 | FIXED | COSAN LTD | BR | 20.09.2024 | 102.76 | 5.47 | BB | #N/A N/A |
| USN6945AAJ62 | USD | 3759.866 | 2 | 1 | 5.299 | FIXED | PETROBRAS GLOBAL FINANCE | BR | 27.01.2025 | 100.34 | 5.24 | BB- | B1 |
| AT0000A1Y3P7 | EUR | 500 | 0.5 | 0.5 | 1.375 | FIXED | VOESTALPINE AG | AT | 27.09.2024 | 99.52 | 1.45 | #N/A N/A | #N/A N/A |
| US836205AW44 | USD | 1000 | 200 | 1 | 4.85 | FIXED | REPUBLIC OF SOUTH AFRICA | ZA | 27.09.2027 | 99.60 | 4.90 | #N/A N/A | Baa3e |
| FI4000282629 | EUR | 250 | 100 | 1 | 2.75 | FIXED | METSA BOARD OYJ | FI | 29.09.2027 | 101.13 | 2.62 | #N/A N/A | #N/A N/A |
| USG98149AD29 | USD | 750 | 200 | 1 | 5.5 | FIXED | WYNN MACAU LTD | MO | 01.10.2027 | 101.54 | 5.30 | B+ | B1 |
| USP3R26HAA81 | USD | 330 | 200 | 1 | 6.25 | FIXED | CYDSA SAB DE CV | MX | 04.10.2027 | 99.25 | 6.35 | BB | #N/A N/A |
| US836205AX27 | USD | 1500 | 200 | 1 | 5.65 | FIXED | REPUBLIC OF SOUTH AFRICA | ZA | 27.09.2047 | 100.01 | 5.65 | #N/A N/A | Baa3e |

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

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