

MORNING BOND UPDATE

Tuesday, September 05, 2017

T Bonds

** U.S. markets were closed yesterday due to Labor Day.

European Union

** **Germany's** short-dated government bond yields dipped to their lowest levels in over four months on Monday after the sixth and most powerful North Korean nuclear test a day earlier lifted demand for safe-haven assets.

South Korea said on Monday it was talking to the United States about deploying aircraft carriers and bombers to the Korean peninsula after signs Pyongyang might launch more missiles.

The latest tensions over Korea added a new layer of uncertainty for euro zone bond investors in a week that would otherwise have been dominated by Thursday's European Central Bank meeting and the monetary policy outlook.

"The name of the game of this week would have been the ECB but now we have to take into account North Korea," said an analyst.

"There is a risk-off mood in world markets with yield curves in core markets flattening."

Japan's 10-year government bond yield fell to a 10-month low at minus 0.010 percent, while the price of gold, another safe-haven asset, hit its highest in almost a year.

Two-year bond yields in Germany dipped to minus 0.769 percent, their lowest level since April.

Ten-year bond yields fell to as low as 0.36 percent, moving towards two-month lows hit last week at 0.32 percent, before pulling back slightly.

Overall, however, the impact on bond markets of the latest episode in the standoff between the United States and North Korea was limited.

Indeed, lower-rated debt, which is often in the firing line in times of risk aversion, outperformed German benchmarks as a stronger euro was expected to keep the ECB wary of reining in its bond-buying stimulus scheme too soon.

"Euro strength underlines the ECB will be cautious with its policy unwind," said an analyst.

Spain's 10-year yields fell 4.7 basis points to 1.44 percent and **Italian** equivalents fell 3.3 bps to 2.04 percent, with the slide in yields accelerating towards the close.

Portuguese 10-year yields fell 2.1 bps to 2.83 percent after ratings agency Moody's lifted the outlook on Portugal's rating on Friday to positive from stable.

A holiday in the United States on Monday further subdued trade.

Germany was also in focus after Chancellor Angela Merkel appeared to hold her ground against her centre-left rival in a television debate at the weekend ahead of elections later this month.

Other Markets :

** **Australia's** economy likely rebounded sharply last quarter as exports and public spending proved surprisingly upbeat, an outcome that would cheer the country's central bank which left interest rates at record lows on Tuesday.

The Reserve Bank of Australia (RBA) has kept rates at 1.50 percent since last easing in August 2016 as it bets on a pick up in economic growth this year and next.

The flow of data is favouring the bank's optimism. Figures out Tuesday showed Australia managed to export more goods last quarter even as falling commodity prices widened the country's current account deficit.

Government spending also ran faster-than-expected in the June quarter as states splashed out on infrastructure, tilting the risks to the upside for growth.

"Exports came in on the higher side, and government spending was also very strong in the quarter," said an analyst.

"The risk to GDP growth is now on the upside. We will get an upward revision to where everyone is on GDP."

An analyst nudged up her forecast for growth in gross domestic product (GDP) to 0.9 percent, from an initial 0.7 percent. Analysts at CBA also predicted growth of 0.9 percent, while Westpac tipped a 1.0 percent increase.

That would be a marked improvement on the first quarter's pedestrian 0.3 percent pace, and faster than what the United States managed.

Growth for the year was seen edging up to around 2 percent.

The RBA is confident economic activity will reach around 3 percent in coming months.

"The recent data have been consistent with the Bank's expectation that growth in the Australian economy will gradually pick up over the coming year," RBA Governor Philip Lowe said in a statement following the bank's monthly meeting.

"The outlook for non-mining investment has improved recently and reported business conditions are at a high level."

Most analysts polled by Reuters expect no change until late 2018 as the RBA remains worried about the outlook for consumer spending, which account for around 57 percent of GDP.

Tuesday's data from the Australian Bureau of Statistics showed the country's current account deficit widened to A\$9.6 billion (\$7.66 billion), from A\$4.7 billion in the first quarter, mostly due to a pullback in commodity prices.

Australia's terms of trade, the ratio of export to import prices, duly fell 6 percent in the quarter.

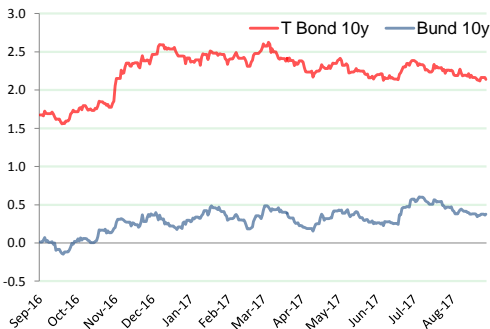
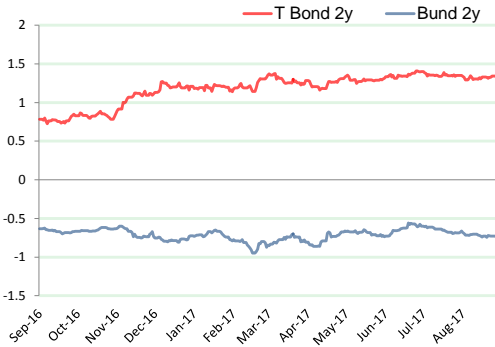
Yet the volume of exports sold rebounded in the quarter to add 0.3 percentage points to GDP growth, when most analysts had expected a small subtraction.

Also helping was a robust rise in government spending, which analysts at Westpac estimated would alone add half a percentage point to growth in the quarter.

The outlook for exports is also upbeat as an acceleration in global factory output and unexpectedly brisk demand from China has recently boosted prices for a range of commodities.

Copper hit its highest in three years this week, while steel prices in China reached levels not seen since 2013 - supporting iron ore in the process.

The RBA index of commodity prices, which mirrors the country's export mix, climbed 1 percent in August to be up 16.6 percent on the same month last year. All of which is a boon to the country's hard-pressed miners.



	Last	Prev	02.janv
US 2y	1.32	1.34	0.70
US 10y	2.14	2.17	2.20
Germany 2y	-0.74	-0.73	-0.10
Germany 10y	0.38	0.37	0.54
France 2y	-0.53	-0.53	-0.05
France 10y	0.69	0.68	0.81
Swiss 2y	-0.82	-0.83	-0.28
Swiss 10y	-0.13	-0.12	0.32
Australia 2y	1.88	1.83	2.21
Australia 10y	2.68	2.62	2.87

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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DAILY BOND LIST

Tuesday, September 05, 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													
USU05526AF26	USD	1000	2	1	1.905	FLOATING	BAT CAPITAL CORP	GB	14.08.2020	100.11	1.87	BBB+	Baa2
XS1645684587	USD	500	200	1	2.75	FIXED	CHINA GRT WALL INTL III	HK	31.08.2020	99.93	2.77	#N/A N/A	Baa1
USU05526AG09	USD	2250	2	1	2.764	FIXED	BAT CAPITAL CORP	GB	15.08.2022	100.69	2.61	BBB+	Baa2
USU05526AH81	USD	750	2	1	2.195	FLOATING	BAT CAPITAL CORP	GB	15.08.2022	100.12	2.17	BBB+	Baa2
US579780AL12	USD	750	2	1	2.7	FIXED	MCCORMICK & CO	US	15.08.2022	100.91	2.50	BBB	Baa2
USY3815NAY77	USD	600	200	1	3	FIXED	HYUNDAI CAPITAL SERVICES	KR	29.08.2022	99.92	3.02	A-	Baa1
XS1645684660	USD	1000	200	1	3.125	FIXED	CHINA GRT WALL INTL III	HK	31.08.2022	99.85	3.16	#N/A N/A	Baa1
US579780AM94	USD	700	2	1	3.15	FIXED	MCCORMICK & CO	US	15.08.2024	101.79	2.86	BBB	Baa2
USU05526AJ48	USD	2500	2	1	3.222	FIXED	BAT CAPITAL CORP	GB	15.08.2024	100.97	3.07	BBB+	Baa2
US579780AN77	USD	750	2	1	3.4	FIXED	MCCORMICK & CO	US	15.08.2027	101.36	3.24	BBB	Baa2
USU05526AK11	USD	3500	2	1	3.557	FIXED	BAT CAPITAL CORP	GB	15.08.2027	101.42	3.39	BBB+	Baa2
USY3815NAZ43	USD	300	200	1	3.625	FIXED	HYUNDAI CAPITAL SERVICES	KR	29.08.2027	100.12	3.61	A-	Baa1
XS1645684827	USD	500	200	1	3.875	FIXED	CHINA GRT WALL INTL III	HK	31.08.2027	99.07	3.99	#N/A N/A	Baa1
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.36	4.03	BBB	Baa3
XS1623981641	EUR	400	100	1	1.35	FIXED	SHOUGANG GROUP	CN	07.08.2020	100.72	1.10	#N/A N/A	#N/A N/A
XS1664643746	EUR	1100	100	1	0.171	FLOATING	BAT CAPITAL CORP	GB	16.08.2021	100.43	0.06	BBB+	Baa2
XS1678629186	EUR	200	1	1	0.875	FIXED	GRENKE FINANCE PLC	DE	07.10.2022	100.15	0.85	#N/A N/A	#N/A N/A
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.81	0.82	BBB+	Baa2
XS1678966935	EUR	650	100	1	1.75	FIXED	CNH INDUSTRIAL FIN EUR S	GB	12.09.2025	99.90	1.76	BBB-	Baa2
XS1673102734	EUR	600	100	1	1.5	FIXED	ISS GLOBAL A/S	DK	31.08.2027	99.80	1.52	BBB	Baa2
FR0013281755	EUR	600	100	100	1.5	FIXED	ICADE	FR	13.09.2027	99.41	1.56	#N/A N/A	#N/A N/A
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.26	1.93	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	99.25	1.82	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	102.70	2.00	BBB+	Baa2
XS1651072099	EUR	700	100	1	2.875	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2037	100.90	2.82	BBB	Baa2
AU3FN0037891	AUD	300	10	10	2.7024	FLOATING	FBG FINANCE PTY LTD	BE	06.09.2022	100.19	3.25	#N/A N/A	A3e
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.96	3.26	#N/A N/A	A3e
XS1665510134	AUD	300	2	1	3.604	FIXED	SUMITOMO MITSUI FINL GRP	JP	07.03.2023	100.39	3.53	A-	A1
XS1665510308	AUD	450	2	1	2.9341455	FLOATING	SUMITOMO MITSUI FINL GRP	JP	07.03.2023	100.10	3.55	A-	A1
AU3CB0246668	AUD	650	10	10	3.75	FIXED	FBG FINANCE PTY LTD	BE	06.09.2024	100.14	3.73	#N/A N/A	A3e
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	99.86	2.27	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	102.99	2.23	(P)BBB	#N/A N/A
XS1664647499	GBP	450	100	1	2.125	FIXED	BAT CAPITAL CORP	GB	15.08.2025	100.71	2.03	BBB+	Baa2
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	99.57	4.15	#N/A N/A	A3e
Below Investment Grade New Issues													
USN3700LAC92	USD	350	200	1	4.875	FIXED	GREENKO DUTCH BV	IN	24.07.2022	100.75	4.70	#N/A N/A	Ba2
XS1637076164	USD	700	200	1	4.75	FIXED	COUNTRY GARDEN HLDGS	CN	25.07.2022	102.10	4.27	#N/A N/A	Ba1
CH0370943570	CHF	75	5	5	3.625	FIXED	HELVETIA ENVIRON GROUP	CH	26.07.2022	104.90	2.54	#N/A N/A	#N/A N/A
XS1577956516	GBP	370	100	1	5	FIXED	MCLAREN FINANCE PLC	GB	01.08.2022	100.74	4.83	(P)B	(P)B2
USL0427PAA41	USD	400	2	1	6.125	FIXED	ATENTO LUXCO 1 SA	ES	10.08.2022	104.05	5.18	#N/A N/A	Ba3
USG65309AA76	USD	250	200	1	5.75	FIXED	MCLAREN FINANCE PLC	GB	01.08.2022	103.22	5.00	(P)B	(P)B2
USN3700LAB10	USD	650	200	1	5.25	FIXED	GREENKO DUTCH BV	IN	24.07.2024	100.84	5.10	#N/A N/A	Ba2
XS1651444140	EUR	650	100	1	2.125	FIXED	EUROFINS SCIENTIFIC SE	LU	25.07.2024	101.74	1.85	#N/A N/A	#N/A N/A
USG9328DAP53	USD	1000	200	1	6.125	FIXED	VEDANTA RESOURCES PLC	IN	09.08.2024	101.28	5.90	B+	B3
USC4949AAE04	USD	500	2	1	4.5	FIXED	KINROSS GOLD CORP	CA	15.07.2027	100.20	4.47	BB+	Ba1

*watchlist for downgrade

Bold type : new entries of the day

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