

# MORNING BOND UPDATE

Monday, September 11, 2017



	Last	Prev	02.janv
US 2y	1.29	1.26	0.70
US 10y	2.09	2.05	2.20
Germany 2y	-0.75	-0.76	-0.10
Germany 10y	0.33	0.31	0.54
France 2y	-0.54	-0.55	-0.05
France 10y	0.63	0.62	0.81
Swiss 2y	-0.83	-0.85	-0.28
Swiss 10y	-0.14	-0.16	0.32
Australia 2y	1.86	1.86	2.21
Australia 10y	2.60	2.58	2.87

## T Bonds

\*\* U.S. long-dated Treasury yields were little changed to slightly lower on Friday, as investors squared positions ahead of next week's auction of government debt.

Treasury will auction \$56 billion in debt: \$24 billion in U.S. three-year notes, \$20 billion in 10-year notes, and \$12 billion in 30-year bonds.

"The key question for the auctions this month is whether investors will be keen to buy in at the 2017 -year lows," analysts at TD Securities said, noting that the U.S. 10-year yield stands about 20 basis points below August's auction level.

Yields overall have declined over the last few weeks given geopolitical uncertainty and some softening of U.S. economic data.

Earlier on Friday, U.S. 10-year note and 30-year bond yields rose off 10-month lows, in line with gains in Europe, after Reuters reported that European Central Bank policymakers at Thursday's meeting discussed reducing stimulus for the euro zone.

New York Fed President William Dudley's comments overnight also helped push U.S. yields higher, even if they were less hawkish than expected, analysts said. Dudley, a voting member of the Federal Reserve, reinforced the Fed's general expectation that an inflation rebound was around the corner, allowing it to continue raising rates before too long.

After Dudley, the focus shifted to the ECB.

ECB officials discussed four options in paring back monetary easing policy at Thursday's meeting, Reuters reported, such as cutting asset purchases to 40 billion euros or 20 billion euros a month, with extension options including 6 months or 9 months, two sources with direct knowledge of the discussion said.

As a result, bond yields in Europe rose, with the peripheral markets - Italy, Spain, Portugal - getting the brunt of the selling. Germany's 10-year bond yield rose to 0.327 percent, having fallen to its lowest since late June.

Jim Vogel, interest rates strategist at FTN Financial in Memphis, Tennessee, said Treasuries moved in tandem with Europe in the absence of U.S. economic data.

"The ECB story's first impact was with peripheral yields so that Spain, Portugal and Italy's yields widened quite quickly on the idea that the ECB will buy fewer bonds than people had been thinking," said Vogel.

In late trading, benchmark 10-year Treasury yields slipped to 2.055 percent, from 2.061 percent late on Thursday. Ten-year yields earlier dropped to 2.016 percent, a 10-month low.

U.S. 30-year bond yields were down at 2.673 percent, from 2.678 percent the previous session. Thirty-year yields earlier dropped to a 10-month trough of 2.636 percent

## European Union

\*\* The International Monetary Fund should decide whether it will fund Greece's current bailout program by the end of the year and help Greece conclude a key bailout review on time, Prime Minister Alexis Tsipras said on Sunday.

Euro zone governments in June approved another 11th-hour credit line for Greece, worth nearly \$10 billion, after the IMF said it would join the country's current bailout, the third since 2010, in principle.

"We can live with or without the IMF presence," Tsipras said in a press briefing at a trade fair in Thessaloniki. "What we cannot do is live with the IMF setting one foot in and leaving one foot out."

The end of the year would be a "reasonable timeframe" for the Fund to decide, he said. Athens intends to wrap up its next bailout review quickly, he said, adding that Greece would be financially independent in 2018.

The euro zone and the IMF have loaned Greece about 260 billion euros (\$312.86 billion) since 2010. In return, Greece has imposed austerity measures that have cut its output by a quarter and eliminated thousands of jobs. The lenders review Greece's progress quarterly before approving loan payouts.

Tsipras' government and the IMF have often locked horns over Greece's fiscal progress, its economic targets and reforms in the labor market. Greece adopted more austerity measures for 2019 and 2020 to convince the Fund to join its program and push for further debt relief.

Tsipras came to power in 2015 promising to end austerity but then signed up to the new bailout, worth 86 billion euros. He said on Sunday the government would assess fiscal progress for 2017 and offer handouts to the vulnerable, if Greece exceeded its targets.

"We ought to be careful in the coming period," he said. "We need to have a full picture of the economy ... we are above targets and we will make sure that there will be a dividend for the vulnerable, which we will announce at the right time."

Greece exceeded its goal for a primary budget surplus - which excludes debt servicing - in 2015 and 2016. Last December, Tsipras unexpectedly announced a one-off Christmas bonus to pensioners, angering the country's lenders. On Sunday, he said any similar move would be made in consultation with the lenders.

## Other Markets :

\*\* Venezuelan President Nicolas Maduro has invited bondholders to unspecified "negotiations" over the country's foreign debt in coming days, in response to recent U.S. financial sanctions.

With Venezuela deep in recession and its currency reserves at their lowest in more than two decades, the Maduro government and state oil company PDVSA have to pay about \$4 billion in debt and interest during the rest of 2017.

"All bondholders are invited to various rounds of negotiations over the next few weeks," the president said in a speech late on Thursday to the new Constituent Assembly.

He reiterated Venezuela would keep honoring debt, but said he wanted to talk with bondholders affected by sanctions recently imposed by U.S. President Donald Trump.

Maduro said Vice President Tarek El Aissami, already under U.S. financial sanctions over drug trafficking allegations, and Finance Minister Ramon Lobo would coordinate talks and some "bilateral conversations" with bondholders had already begun.

In the same speech, Maduro said Venezuela would seek to "free" itself of the U.S. dollar and "implement a new system of international payments" using currencies such as the yuan, yen, rupee, euro and ruble.

The president did not, however, specify whether paying in a different currency was an option his government wanted to discuss with bondholders.

The Washington-based Institute of International Finance, which represents large banks and financial institutions, said it was advising a group of holders of Venezuelan bonds.

# DAILY BOND LIST

Monday, September 11, 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>													
USU05526AF26	USD	1000	2	1	1.905	FLOATING	BAT CAPITAL CORP	GB	14.08.2020	100.17	1.84	BBB+	Baa2
XS1645684587	USD	500	200	1	2.75	FIXED	CHINA GRT WALL INTL III	HK	31.08.2020	99.99	2.75	BBB+	Baa1
US579780AL12	USD	750	2	1	2.7	FIXED	MCCORMICK & CO	US	15.08.2022	101.52	2.37	BBB	Baa2
USY3815NAY77	USD	600	200	1	3	FIXED	HYUNDAI CAPITAL SERVICES	KR	29.08.2022	100.02	3.00	A-	Baa1
XS1645684660	USD	1000	200	1	3.125	FIXED	CHINA GRT WALL INTL III	HK	31.08.2022	99.86	3.15	BBB+	Baa1
XS1679508504	USD	500	200	1	2.75	FIXED	HPHT FINANCE 17 LTD	HK	11.09.2022	99.95	2.76	#N/A N/A	Baa1e
US579780AM94	USD	700	2	1	3.15	FIXED	MCCORMICK & CO	US	15.08.2024	102.32	2.78	BBB	Baa2
USU05526AJ48	USD	2500	2	1	3.222	FIXED	BAT CAPITAL CORP	GB	15.08.2024	101.72	2.95	BBB+	Baa2
USG0446NAM68	USD	650	200	1	3.625	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2024	100.66	3.52	#N/A N/A	Baa3
US579780AN77	USD	750	2	1	3.4	FIXED	MCCORMICK & CO	US	15.08.2027	102.07	3.16	BBB	Baa2
USU05526AK11	USD	3500	2	1	3.557	FIXED	BAT CAPITAL CORP	GB	15.08.2027	101.83	3.34	BBB+	Baa2
XS1645684827	USD	500	200	1	3.875	FIXED	CHINA GRT WALL INTL III	HK	31.08.2027	99.22	3.97	#N/A N/A	Baa1
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.81	3.98	BBB	Baa3
USG0446NAN42	USD	650	200	1	4	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2027	101.04	3.87	#N/A N/A	Baa3
XS1623981641	EUR	400	100	1	1.35	FIXED	SHOUGANG GROUP	CN	07.08.2020	100.80	1.07	#N/A N/A	#N/A N/A
XS1664643746	EUR	1100	100	1	0.171	FLOATING	BAT CAPITAL CORP	GB	16.08.2021	100.44	0.06	BBB+	Baa2
XS1678629186	EUR	200	1	1	0.875	FIXED	GRENKE FINANCE PLC	DE	07.10.2022	100.25	0.83	BBB+	#N/A N/A
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	102.02	0.79	BBB+	Baa2
XS1678966935	EUR	650	100	1	1.75	FIXED	CNH INDUSTRIAL FIN EUR S	GB	12.09.2025	100.15	1.73	BBB-	Ba2
FR0013281755	EUR	600	100	100	1.5	FIXED	ICADE	FR	13.09.2027	99.98	1.50	#N/A N/A	#N/A N/A
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	100.34	1.68	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.70	1.88	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	99.79	1.77	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	103.19	1.96	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	100.03	3.24	A-	A3
XS1665510308	AUD	450	2	1	2.94	FLOATING	SUMITOMO MITSUI FINL GRP	JP	07.03.2023	100.01	3.53	A-	A1
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	100.09	2.24	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	103.37	2.18	(P)BBB	#N/A N/A
XS1664647499	GBP	450	100	1	2.125	FIXED	BAT CAPITAL CORP	GB	15.08.2025	101.12	1.97	BBB+	Baa2
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	99.87	4.12	A-	A3
<b>Below Investment Grade New Issues</b>													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.23	2.08	#N/A N/A	Baa3e
USN3700LAC92	USD	350	200	1	4.875	FIXED	GREENKO DUTCH BV	IN	24.07.2022	100.99	4.64	#N/A N/A	Ba2
XS1637076164	USD	700	200	1	4.75	FIXED	COUNTRY GARDEN HLDGS	CN	25.07.2022	102.35	4.21	#N/A N/A	Ba1
US984121CQ49	USD	1000	2	1	3.625	FIXED	XEROX CORPORATION	US	15.03.2023	100.60	3.50	#N/A N/A	#N/A N/A
US25470DAQ25	USD	1200	2	1	2.95	FIXED	DISCOVERY COMMUNICATIONS	US	20.03.2023	100.19	2.91	#N/A N/A	Baa3
XS1681017163	EUR	415	100	1	3.1636	FLOATING	GARFUNKELUX HOLDCO 3 SA	LU	01.09.2023	100.39	3.10	#N/A N/A	B2e
USN3700LAB10	USD	650	200	1	5.25	FIXED	GREENKO DUTCH BV	IN	24.07.2024	101.25	5.03	#N/A N/A	Ba2
XS1651444140	EUR	650	100	1	2.125	FIXED	EUROFINS SCIENTIFIC SE	LU	25.07.2024	101.89	1.83	#N/A N/A	#N/A N/A
FR0013281946	EUR	600	100	100	1.625	FIXED	INGENICO GROUP SA	FR	13.09.2024	100.54	1.54	#N/A N/A	#N/A N/A
XS1679781424	EUR	1000	100	1	2.875	FIXED	EQUINIX INC	US	01.10.2025	100.34	2.83	BB+	B1
USG9328DAP53	USD	1000	200	1	6.125	FIXED	VEDANTA RESOURCES PLC	IN	09.08.2024	101.77	5.81	B+	B3
XS1681539539	USD	800	200	1	4.125	FIXED	SANTOS FINANCE LTD	AU	14.09.2027	100.54	4.06	#N/A N/A	#N/A N/A
USC4949AAE04	USD	500	2	1	4.5	FIXED	KINROSS GOLD CORP	CA	15.07.2027	100.79	4.40	BB+	Ba1
US25470DAR08	USD	1700	2	1	3.95	FIXED	DISCOVERY COMMUNICATIONS	US	20.03.2028	99.79	3.97	#N/A N/A	Baa3

**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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