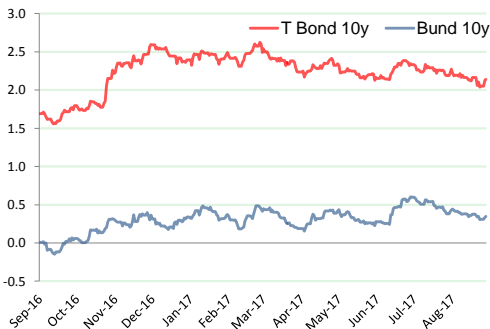


# MORNING BOND UPDATE

Tuesday, September 12, 2017



	Last	Prev	02.janv
US 2y	1.32	1.32	0.70
US 10y	2.14	2.13	2.20
Germany 2y	-0.75	-0.75	-0.10
Germany 10y	0.35	0.34	0.54
France 2y	-0.54	-0.54	-0.05
France 10y	0.64	0.63	0.81
Swiss 2y	-0.82	-0.85	-0.28
Swiss 10y	-0.14	-0.15	0.32
Australia 2y	1.87	1.86	2.21
Australia 10y	2.64	2.60	2.87

## T Bonds

\*\* U.S. Treasury yields rose on Monday after a quiet weekend unmarred by expectations of negative news about North Korea that had pushed risk appetite higher, and a lackluster three-year note auction also pressured bond prices.

U.S. long-dated and short-end yields, which move inversely to prices, climbed to one-week peaks.

"We opened lower overnight because there's nothing new out of North Korea," said an analyst.

The United States and its allies had braced for another long-range missile launch by North Korea in time for the 69th anniversary of the country's founding on Saturday.

The U.S. Treasury's \$24 bln three-year note auction was poorly received, as it fetched a yield of 1.433 percent, higher than the expected 1.430 percent at the bid deadline. Bids totaled almost \$64.9 billion for a 2.70 cover, the worst since April, well below the 3.13 last month and worse than the 2.83 average.

Indirect bidders, which include major central banks, accepted 46.2 percent, also less than the 64.1 percent previously and the 53.2 percent average.

The three-year note attracted little attention despite being sold off going into the auction. Traders tend to sell Treasuries to bump up the yield so they can buy it at a lower price at the auction in a practice known as concession.

"Rates were in a hurry to rise today, but selling has been limited," said an analyst.

"Although fundamentals haven't changed, the day brings nothing to warrant an immediate purchase of dips. This type of market tomorrow morning will increase risk for U.S. 10-year auction."

Treasury will auction \$20 billion in 10-year notes on Tuesday, and \$12 billion in 30-year bonds on Wednesday.

In late trading, benchmark 10-year Treasury yields rose to 2.123 percent, from 2.061 percent late on Friday. Ten-year yields earlier rose to 2.134 percent, a one-week high.

Recent 10-year auctions have seen weaker demand, with the last six showing yields that were higher than expected.

Subadra Rajappa, head of U.S. rates strategy at Societe Generale, said the bank held a slightly negative bias on the upcoming 10-year note auction. She noted that the U.S. 10-year debt had a "rich valuation on an outright basis" as the yield traded below the past nine auction rates.

U.S. 30-year bond yields rose to 2.736 percent, up from 2.680 percent the previous session. Thirty-year yields climbed to one-week peaks of 2.752 percent.

After the auction, U.S. three-year note yields rose to 1.431 percent from 1.38 percent late on Friday.

## European Union

\*\* Germany's benchmark 10-year bond yield pulled further away from recent 2 1/2-month lows on Monday, as unease about an unwinding of ECB stimulus and relief that North Korea did not conduct another missile test at the weekend hurt safe-haven assets.

European Central Bank policy will remain accommodative for longer than in previous cases of demand shock, which is likely to limit any damage from the euro's appreciation, ECB Executive Board member Benoit Coeure said on Monday.

Those comments briefly pushed bond yields lower across the bloc, but the impact proved fleeting.

Analysts said Friday's report by Reuters that ECB officials generally agreed their next move would be to cut bond purchases, and have discussed four options, highlighted that a tapering of stimulus is coming and tempered demand for bonds.

"On Thursday, there was a lot of relief that the ECB would stick to its expansionary stance, but latest comments suggest there is an ongoing discussion and that there are several council members in favour of a less expansionary stance," an analyst said, referring to last week's ECB meeting.

"We learnt the buying volume could be lower than previous market expectations."

Options being considered, according to Friday's report, include cutting monthly asset purchases from the current 60 billion euros to 20 billion or 40 billion from the start of 2018, with the scheme running for another six or nine months.

Germany's Bund yield rose 2 basis points to 0.335 percent, up nearly 5 bps from 2 1/2-month lows hit on Friday. It briefly hit session lows around 0.32 percent after Coeure's comments.

Long-dated bond yields were also higher across the board, possibly on news Austria is sounding out investors about a 100-year sovereign bond sale as early as Tuesday. It would be the first "century bond" sold publicly by a euro zone country.

Austria's 30-year bond yield was up 4 basis points to 1.52 percent.

Two-year German bond yields also pulled back from last week's 4 1/2-month lows to trade at minus 0.77 percent.

"The bond market has now got to a certain level where it needs new information before acting," said an analyst. "There wasn't anything really new in Coeure's comments."

Demand for safe-haven assets generally also diminished as the weekend passed with no further missile tests from North Korea when it celebrated its founding anniversary and powerful storm Irma weakened.

Irma has caused a number of deaths and knocked out electricity to 3 million homes and businesses on its way up the Florida coast, raising concern about its impact on the U.S. economy.

## Other Markets :

\*\* The benchmark 10-year Japanese government bond yield rose to a three-week high on Tuesday as risk aversion that had gripped the broader markets eased, curtailing demand for safe-haven debt.

The 10-year JGB yield was up 3 basis points at 0.025 percent, its highest since Aug. 24.

The 10-year yield had dropped to a 10-month low of minus 0.015 percent on Friday, when tensions in the Korean Peninsula and concerns over Hurricane Irma took a toll on risk assets.

Demand at Tuesday's 2.2 trillion yen (\$20.12 billion) five-year JGB auction dropped off slightly as investor bids for safe-haven government bonds ebbed.

The bid-to-cover ratio, a gauge of demand, at the auction slipped to 4.07 from 4.46 at the previous sale last month. But it was still higher than 3.97, the average from the last 10 auctions.

The five-year JGB yield was 2.5 basis points higher at minus 0.120 percent. December 10-year JGB futures slipped 0.28 point to 150.92.

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 12, 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	100.13	1.86	BBB+	Baa2
XS1645684587	USD	500	200	1	2.75	FIXED	CHINA GRT WALL INTL III	HK	31.08.2020	99.92	2.78	BBB+	Baa1
US579780AL12	USD	750	2	1	2.7	FIXED	MCCORMICK & CO	US	15.08.2022	101.29	2.42	BBB	Baa2
USY3815NAY77	USD	600	200	1	3	FIXED	HYUNDAI CAPITAL SERVICES	KR	29.08.2022	99.72	3.06	A-	Baa1
XS1645684660	USD	1000	200	1	3.125	FIXED	CHINA GRT WALL INTL III	HK	31.08.2022	99.70	3.19	BBB+	Baa1
XS1679508504	USD	500	200	1	2.75	FIXED	HPHT FINANCE 17 LTD	HK	11.09.2022	99.78	2.80	#N/A N/A	Baa1e
<b>US09681MAD02</b>	<b>USD</b>	<b>500</b>	<b>200</b>	<b>1</b>	<b>2.75</b>	<b>FIXED</b>	<b>BOC AVIATION LTD</b>	<b>SG</b>	<b>18.09.2022</b>	<b>99.41</b>	<b>2.88</b>	<b>#N/A N/A</b>	<b>#N/A N/A</b>
US579780AM94	USD	700	2	1	3.15	FIXED	MCCORMICK & CO	US	15.08.2024	101.90	2.85	BBB	Baa2
USU05526AJ48	USD	2500	2	1	3.222	FIXED	BAT CAPITAL CORP	GB	15.08.2024	101.30	3.01	BBB+	Baa2
USG0446NAM68	USD	650	200	1	3.625	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2024	100.26	3.58	#N/A N/A	Baa3
US579780AN77	USD	750	2	1	3.4	FIXED	MCCORMICK & CO	US	15.08.2027	101.47	3.23	BBB	Baa2
USU05526AK11	USD	3500	2	1	3.557	FIXED	BAT CAPITAL CORP	GB	15.08.2027	101.21	3.41	BBB+	Baa2
XS1645684827	USD	500	200	1	3.875	FIXED	CHINA GRT WALL INTL III	HK	31.08.2027	99.05	3.99	#N/A N/A	Baa1
<b>US09681MAE84</b>	<b>USD</b>	<b>500</b>	<b>200</b>	<b>1</b>	<b>3.5</b>	<b>FIXED</b>	<b>BOC AVIATION LTD</b>	<b>SG</b>	<b>18.09.2027</b>	<b>99.77</b>	<b>3.53</b>	<b>#N/A N/A</b>	<b>#N/A N/A</b>
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.42	4.03	BBB	Baa3
USG0446NAN42	USD	650	200	1	4	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2027	100.43	3.95	#N/A N/A	Baa3
XS1623981641	EUR	400	100	1	1.35	FIXED	SHOUGANG GROUP	CN	07.08.2020	100.81	1.06	#N/A N/A	#N/A N/A
XS1664643746	EUR	1100	100	1	0.171	FLOATING	BAT CAPITAL CORP	GB	16.08.2021	100.50	0.04	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	101.93	0.80	BBB+	Baa2
XS1678966935	EUR	650	100	1	1.75	FIXED	CNH INDUSTRIAL FIN EUR S	GB	12.09.2025	100.07	1.74	BBB-	Ba2
FR0013281755	EUR	600	100	100	1.5	FIXED	ICADE	FR	13.09.2027	99.90	1.51	#N/A N/A	#N/A N/A
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	100.30	1.68	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.58	1.89	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	99.60	1.79	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	102.97	1.98	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.94	3.26	A-	A3
XS1665510308	AUD	450	2	1	2.94	FLOATING	SUMITOMO MITSUI FINL GRP	JP	07.03.2023	100.03	3.54	A-	A1
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	99.73	2.29	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	103.01	2.23	(P)BBB	#N/A N/A
XS1664647499	GBP	450	100	1	2.125	FIXED	BAT CAPITAL CORP	GB	15.08.2025	100.78	2.02	BBB+	Baa2
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	99.57	4.15	A-	A3
<b>Below Investment Grade New Issues</b>													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.25	2.07	BBB-	Baa3e
XS1637076164	USD	700	200	1	4.75	FIXED	COUNTRY GARDEN HLDGS	CN	25.07.2022	102.38	4.20	#N/A N/A	Ba1
<b>XS1684378208</b>	<b>USD</b>	<b>500</b>	<b>200</b>	<b>1</b>	<b>4.25</b>	<b>FIXED</b>	<b>EXPORT CREDIT BANK OF TU</b>	<b>TR</b>	<b>18.09.2022</b>	<b>99.73</b>	<b>4.31</b>	<b>#N/A N/A</b>	<b>Ba1e</b>
US984121CQ49	USD	1000	2	1	3.625	FIXED	XEROX CORPORATION	US	15.03.2023	100.19	3.59	#N/A N/A	#N/A N/A
US25470DAQ25	USD	1200	2	1	2.95	FIXED	DISCOVERY COMMUNICATIONS	US	20.03.2023	99.85	2.98	BBB-	Baa3
XS1681017163	EUR	415	100	1	3.163	FLOATING	GARFUNKELUX HOLDCO 3 SA	LU	01.09.2023	100.38	3.10	#N/A N/A	B2e
USN3700LAB10	USD	650	200	1	5.25	FIXED	GREENKO DUTCH BV	IN	24.07.2024	101.35	5.01	#N/A N/A	Ba2
FR0013281946	EUR	600	100	100	1.625	FIXED	INGENICO GROUP SA	FR	13.09.2024	100.49	1.55	#N/A N/A	#N/A N/A
XS1679781424	EUR	1000	100	1	2.875	FIXED	EQUINIX INC	US	01.10.2025	100.41	2.82	BB+	B1
USG9328DAP53	USD	1000	200	1	6.125	FIXED	VEDANTA RESOURCES PLC	IN	09.08.2024	102.26	5.72	B+	B3
XS1681539539	USD	800	200	1	4.125	FIXED	SANTOS FINANCE LTD	AU	14.09.2027	100.30	4.09	#N/A N/A	#N/A N/A
US25470DAR08	USD	1700	2	1	3.95	FIXED	DISCOVERY COMMUNICATIONS	US	20.03.2028	99.29	4.03	BBB-	Baa3

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

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