

MORNING BOND UPDATE

Thursday, September 14, 2017



	Last	Prev	02.janv
US 2y	1.35	1.35	0.70
US 10y	2.19	2.19	2.20
Germany 2y	-0.72	-0.72	-0.10
Germany 10y	0.41	0.40	0.54
France 2y	-0.50	-0.51	-0.05
France 10y	0.70	0.69	0.81
Swiss 2y	-0.82	-0.84	-0.28
Swiss 10y	-0.09	-0.09	0.32
Australia 2y	1.91	1.89	2.21
Australia 10y	2.73	2.67	2.87

T Bonds

** **U.S. Treasury** yields rose on Wednesday with 10-year yield reaching a 2-1/2 week high as investors reduced their bond holdings to make room for this week's government and corporate debt supply.

A recovery of stock prices on Wall Street the prior two sessions, before a slight pullback on Wednesday, also underpinned the rise in bond yields, analysts said.

Investors unloaded equities and other risky assets last week on concern about the potential for massive damage from Hurricane Irma and tension between North Korea and the United States and its allies over Pyongyang's nuclear weapons program.

Safe-haven buying of Treasuries knocked the benchmark 10-year yield to a 10-month low, just above 2 percent on Friday, before turning higher this week on reduced tension between Washington and Pyongyang and early signs that destruction from Irma in the United States would not be as devastating as some had feared.

"The bond market is comfortable in a 2.10-2.30 percent range. We need new stresses to push it out of that range," said an analyst.

The 10-year yield was at a 2-1/2 week peak of 2.195 percent, up more than 2 basis points on the day.

The 30-year bond yield hovered near a three-week high at 2.792 percent, up nearly 2 basis points, following a \$12 billion auction of long bond supply.

This final leg of this week's \$56 billion in coupon-bearing Treasuries supply met mediocre demand in the aftermath of poor bidding at the three-year and 10-year auctions earlier this week.

"It's the bearish mentality at these (low) yield levels," said an analyst.

As the government wrapped up its debt sales for the week, companies have raised about \$26 billion through the sales of investment-grade and high-yield debt this week.

On the data front, domestic producer prices grew 0.2 percent in August, less than the 0.3 percent increase forecast among analysts polled by Reuters.

This latest reading reinforced the view that domestic inflation would remain below the Federal Reserve's 2 percent goal longer than previously thought.

This benign inflation outlook should help hold down long-term bond yields, analysts said.

"There is a lack of fear of inflation in the bond market. There's no credible case for inflation to increase," an analyst said.

European Union

** **Euro zone** government bond yields were close to the highs hit on Tuesday after **Austria** said it would sell 3.5 billion euros of 100-year debt and other borrowers in the bloc lined up bond sales.

Bond yields tend to rise when supply increases, and this week is particularly crowded as government and government-backed borrowers rush to access the market before the next European Central Bank meeting.

"I think everyone expects the ECB is going to announce tapering in October, so they are trying to get their deals done now," said an analyst.

"But the sell off in long-dated bonds really accelerated yesterday afternoon after Austria announced the deal size," he said.

Austria on Tuesday became the first euro zone country to sell 100-year bonds publicly via a syndication, and the 3.5 billion-euro deal dwarfed previous efforts.

Belgium and **Ireland** have sold "century bonds" in the past, but only through a private placement, and for 50 million to 100 million euros each.

On Wednesday, most euro zone government bond yields hovered around the highs hit on Tuesday.

The yield on **Germany's** 10-year government bond, the region's benchmark, rose to 0.40 percent after recording its biggest daily rise since early July on Tuesday. It is now well over the 0.286 percent low reached as recently as Friday.

The Netherlands sold 10 billion euros of bonds via auctions on Tuesday. On Wednesday, Germany sold over 2.4 billion euros of 10-year bonds and Italy sold 8 billion euros of bonds of various tenors.

The European Investment Bank is to sell 3 billion euros of bonds maturing in December 2023, according to a banker working on the deal.

"The high-duration supply is causing indigestion in euro rates markets with weaker euro and firmer risk sentiment adding to the downside in Bunds," analysts at Commerzbank said in a note.

Lingering concern about tapering of the ECB's bond-buying stimulus also cast a shadow over bond markets after a report on Friday that rate-setters agreed last week to start reducing the bond purchases, with a decision likely at their next policy meeting on Oct. 26.

The spread between **Italian** and German 10-year borrowing costs, a key indicator of risk sentiment, widened to 163 basis points, though the Italian bond auctions also played a part, analysts said.

Other Markets :

** Credit ratings agency Standard & Poor's said on Thursday that it sees no major short-term issues that could lead to rating actions for **South Korea**, with a war unlikely on the Korean peninsula despite rising geopolitical tensions.

"We don't believe a war is likely to break out," credit analyst Kim Eng Tan said, responding to a question at a Seoul press conference on the impact of North Korean risks on the economy.

Even with the heightened tensions, the ratings agency did not see any short-term issues that could alter its current AA ratings, its third highest grade as a sovereign rating, Tan said.

The risk of an armed conflict in Korea was low even in the event of more North Korean provocations, he added.

The rating agency in August affirmed Asia's fourth largest economy at AA with a stable outlook, citing no change in its view that North Korean risks will not escalate over the next two years beyond what has been observed in the past few years.

The agency's rating puts South Korea on par with the UK and Belgium, and a notch above China and Taiwan.

The chance of a major trade conflict between the United States and China is also low, Tan said, as both countries would have a lot to lose.

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

Thursday, September 14, 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>													
XS1683356874	USD	500	200	1	2.5	FIXED	INVENTIVE GLOBAL INV LTD	CN	19.09.2020	100.03	2.49	#N/A N/A	#N/A N/A
XS1645684660	USD	1000	200	1	3.125	FIXED	CHINA GRT WALL INTL III	HK	31.08.2022	99.59	3.21	BBB+	Baa1
XS1679508504	USD	500	200	1	2.75	FIXED	HPHT FINANCE 17 LTD	HK	11.09.2022	99.58	2.84	#N/A N/A	Baa1
US09681MAD02	USD	500	200	1	2.75	FIXED	BOC AVIATION LTD	SG	18.09.2022	99.29	2.90	A-	#N/A N/A
USG0446NAM68	USD	650	200	1	3.625	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2024	100.51	3.54	#N/A N/A	Baa3
XS1577950402	USD	500	200	1	4.215	FIXED	COCA-COLA ICECEK AS	TR	19.09.2024	101.52	3.97	#N/A N/A	Baa3
US09681MAE84	USD	500	200	1	3.5	FIXED	BOC AVIATION LTD	SG	18.09.2027	99.41	3.57	A-	#N/A N/A
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.61	4.00	BBB	Baa3
USG0446NAN42	USD	650	200	1	4	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2027	100.14	3.98	#N/A N/A	Baa3
USP6629MAC66	USD	1000	200	1	3.875	FIXED	MEXICO CITY ARPT TRUST	MX	30.04.2028	100.10	3.86	#N/A N/A	Baa1e
USP6629MAD40	USD	3000	200	1	5.5	FIXED	MEXICO CITY ARPT TRUST	MX	31.07.2047	100.90	5.43	#N/A N/A	Baa1e
XS1678629186	EUR	200	1	1	0.875	FIXED	GRENKE FINANCE PLC	DE	07.10.2022	100.14	0.85	BBB+	#N/A N/A
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.60	0.86	BBB+	Baa2
XS1678966935	EUR	650	100	1	1.75	FIXED	CNH INDUSTRIAL FIN EUR S	GB	12.09.2025	99.71	1.79	BBB-	Baa2
XS1686846061	EUR	600	100	1	1.625	FIXED	ANGLO AMERICAN CAPITAL	GB	18.09.2025	100.04	1.61	#N/A N/A	Baa3e
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
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	99.78	1.74	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.31	1.92	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	98.91	1.85	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	102.20	2.05	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.56	3.35	A-	A3
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	99.05	2.40	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	102.18	2.34	(P)BBB	#N/A N/A
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	98.83	4.25	A-	A3
Below Investment Grade New Issues													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.28	2.06	BBB-	Baa3e
XS1637076164	USD	700	200	1	4.75	FIXED	COUNTRY GARDEN HLDGS	CN	25.07.2022	102.33	4.21	#N/A N/A	Ba1
XS1684378208	USD	500	200	1	4.25	FIXED	EXPORT CREDIT BANK OF TU	TR	18.09.2022	99.46	4.37	#N/A N/A	Ba1
US984121CQ49	USD	1000	2	1	3.625	FIXED	XEROX CORPORATION	US	15.03.2023	100.05	3.61	BBB-	Baa3e
US25470DAQ25	USD	1200	2	1	2.95	FIXED	DISCOVERY COMMUNICATIONS	US	20.03.2023	99.88	2.97	BBB-	Baa3
XS1685702794	EUR	500	100	1	5.25	FIXED	INTRALOT CAPITAL LUX	GR	15.09.2024	100.50	5.13	B	(P)B1
XS1684384511	USD	1350	200	1	4.75	FIXED	SOFTBANK GROUP CORP	JP	19.09.2024	99.81	4.78	BB+	Baa1e
USG25343AA52	USD	500	200	1	5.95	FIXED	COSAN LTD	BR	20.09.2024	101.75	5.60	#N/A N/A	#N/A N/A
USG98149AC46	USD	600	200	1	4.875	FIXED	WYNN MACAU LTD	MO	01.10.2024	101.35	4.57	#N/A N/A	B1e
XS1675855073	USD	850	200	1	5.25	FIXED	CBB INTERNATIONAL SUKUK	BH	20.03.2025	100.53	5.16	#N/A N/A	#N/A N/A
XS1684385161	EUR	1500	100	1	3.125	FIXED	SOFTBANK GROUP CORP	JP	19.09.2025	99.80	3.15	BB+	Baa1e
XS1679781424	EUR	1000	100	1	2.875	FIXED	EQUINIX INC	US	01.10.2025	100.26	2.84	BB+	B1
XS1684384867	USD	2000	200	1	5.125	FIXED	SOFTBANK GROUP CORP	JP	19.09.2027	99.46	5.20	BB+	Baa1e
USL5828LAB55	USD	500	200	1	4.875	FIXED	KLABIN FINANCE SA	BR	19.09.2027	99.70	4.91	BB+	#N/A N/A
USG98149AD29	USD	750	200	1	5.5	FIXED	WYNN MACAU LTD	MO	01.10.2027	101.75	5.23	#N/A N/A	B1e
USL6388GAB60	USD	500	200	1	5.125	FIXED	MILLICOM INTL CELLULAR	LU	15.01.2028	101.28	4.97	#N/A N/A	Ba2e
US25470DAR08	USD	1700	2	1	3.95	FIXED	DISCOVERY COMMUNICATIONS	US	20.03.2028	99.72	3.98	BBB-	Baa3
XS1684385591	EUR	750	100	1	4	FIXED	SOFTBANK GROUP CORP	JP	19.09.2029	100.09	3.99	BB+	Baa1e
XS1675862012	USD	1250	200	1	6.75	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2029	100.64	6.67	#N/A N/A	#N/A N/A
XS1675862103	USD	900	200	1	7.5	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2047	101.25	7.39	#N/A N/A	#N/A N/A

Bold type : new entries of the day

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