

MORNING BOND UPDATE

Monday, September 18, 2017



	Last	Prev	02.janv
US 2y	1.38	1.38	0.70
US 10y	2.21	2.20	2.20
Germany 2y	-0.70	-0.70	-0.10
Germany 10y	0.44	0.43	0.54
France 2y	-0.48	-0.48	-0.05
France 10y	0.72	0.71	0.81
Swiss 2y	-0.80	-0.80	-0.28
Swiss 10y	-0.05	-0.05	0.32
Australia 2y	1.98	1.94	2.21
Australia 10y	2.80	2.74	2.87

T Bonds

** Yield spreads between shorter-dated and longer-dated **U.S. Treasuries** contracted on Friday as traders added to bets the Federal Reserve would wait until the end of the year to raise rates and focus on its balance sheet at next week's policy meeting.

North Korea's latest missile launch over Japan and a bomb explosion in the London subway were shrugged off by financial markets.

Longer-dated Treasury yields held steady, supported by surprise drops in domestic retail sales and industrial output in August, seen partly because of Hurricane Harvey, which revived some concerns about economic growth in the third quarter.

"It's a bit of pricing out of the extreme dovishness in the front part of the yield curve," an analyst said of the flattening of the yield curve.

The yield spread between five-year and 30-year Treasuries contracted to 96 basis points, the tightest since July 7, from 103 basis points a week earlier, Tradeweb data showed.

Friday's disappointing U.S. data came after a report earlier this week that showed the strongest increase in consumer prices in seven months, snapping a string of below-forecast readings.

The consumer price index's 0.4 percent rise in August revived bets the Federal Reserve would raise key short-term borrowing costs at its Dec. 12-13 policy meeting, lifting shorter and medium Treasury yields.

"There is more optimism about a possible December rate hike after the latest CPI number," said an analyst. Interest rates futures implied traders saw as high as 58 percent chance on a December rate increase before finishing at 53 percent. This compared with 31 percent a week earlier, CME Group's FedWatch tool showed.

Fed policymakers are unlikely to change their cautious stance on raising rates as they are widely expected to focus on rolling out their plan to scale back the central bank's \$4.2 trillion bond holdings at next week's meeting, analysts said.

Traders also await policymakers' outlook on rates and the economy as well as possible assessments of the impact from Hurricanes Harvey and Irma.

Industrial production fell 0.9 percent in August, its first decline since January, and retail sales slid 0.2 percent last month as Hurricane Harvey disrupted activity.

The benchmark 10-year yield was 2.201 percent, up marginally on the day. It hit a three-week peak at 2.225 percent on Thursday.

The yield on two-year Treasury notes was up 1.6 basis points at 1.384 percent. It touched 1.388 percent for a second time earlier Friday, which was its highest since July 26, Reuters data showed.

U.S. debt supply was heavy this week with the Treasury selling \$56 billion of coupon-bearing supply. This was nearly matched by companies that issued some \$55 billion in high-grade and junk bonds.

European Union

** A **euro zone** government bond sell-off resumed on Friday after hawkish rhetoric from a Bank of England policymaker bolstered a sense that central banks across the developed world are moving into tightening mode.

Earlier, a missile test from North Korea on Thursday night had made many retreat to safe-haven assets such as **German** government bonds.

But comments from British rate-setter Gertjan Vlieghe -- who has previously been strongly in favour of keeping borrowing costs at their record low -- that the BoE might need to raise interest rates in the coming months pushed yields higher again.

"Such comments show that even an arch-dove such as Vlieghe has fallen in line with the view that policy will have to be tightened in the coming months," said an analyst.

"And this follows the hawkish signals from the BoE on Thursday, so it's not surprising that yields were pushed higher."

British 10-year Gilt yields rose as much as 10 basis points to 1.34 percent on Friday.

Euro zone bond yields were then pulled up; bonds in the world's major economies often move in sympathy with one another as investors switch between them.

Germany's 10-year government bond yield, the benchmark for the euro zone, hit a one-month high of 0.45 percent, up 2.5 bps on the day and up almost 5 bps from the session's lows.

Other euro zone bond yields were 1 to 2 basis points higher on the day.

Euro zone government bond yields have been rising all week on expectations the European Central Bank will announce when it meets next month that it is to start tapering its asset purchases.

A Reuters poll of economists showed they expect the ECB to announce in October that it will extend its asset purchases by six months, but reduce the amount buys each month to 40 billion euros from January.

Expectations are also growing that the U.S. Federal Reserve will raise rates again this year after Thursday's stronger-than-forecast increase in consumer prices in the world's largest economy.

"The market will be watching the Fed next week very closely, first because of balance sheet reduction and, as well, because the market is now pricing a higher probability of a rate hike in December," said an analyst.

A spate of supply has also helped push yields up this week. Ireland, Italy, Austria, Germany and the Netherlands have between them sold over 20 billion euros of bonds over the past week.

Other Markets :

** **Australia's** bonds lead losses in Asia-Pacific government debt following a selloff in gilts and Treasuries on Friday and amid speculation the Reserve Bank will signal a tightening bias.

Nation's 3-year yield jumps as much as 5bps to 2.17%, highest since December 2015.

Yield has been closely correlated with rising bets on an RBA rate increase.

RBA will release minutes of its Sept. 5 meeting on Tuesday.

Bank of Canada's rate increase earlier this month, its second since July, has also fanned speculation over RBA's outlook.

"We've certainly seen some quite solid data," says an analyst. "That has seen the market starting to consider whether the RBA could be tightening policy earlier than previously thought".

"It's probably time to go long" on 3-year note as yield at 2.15% is starting to look very appealing.

DAILY BOND LIST

Monday, September 18, 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	100.01	2.50	#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	99.72	3.19	BBB+	Baa1
XS1679508504	USD	500	200	1	2.75	FIXED	HPHT FINANCE 17 LTD	HK	11.09.2022	99.52	2.85	#N/A N/A	Baa1
US09681MAD02	USD	500	200	1	2.75	FIXED	BOC AVIATION LTD	SG	18.09.2022	99.10	2.95	A-	#N/A N/A
USG0446NAM68	USD	650	200	1	3.625	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2024	100.94	3.47	BBB-	Baa3
XS1577950402	USD	500	200	1	4.215	FIXED	COCA-COLA ICECEK AS	TR	19.09.2024	101.93	3.90	#N/A N/A	Baa3
US09681MAE84	USD	500	200	1	3.5	FIXED	BOC AVIATION LTD	SG	18.09.2027	99.18	3.60	A-	#N/A N/A
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.84	3.97	BBB	Baa3
USG0446NAN42	USD	650	200	1	4	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2027	100.01	4.00	BBB-	Baa3
USP6629MAC66	USD	1000	200	1	3.875	FIXED	MEXICO CITY ARPT TRUST	MX	30.04.2028	99.64	3.92	(P)BBB+	Baa1e
USP6629MAD40	USD	3000	200	1	5.5	FIXED	MEXICO CITY ARPT TRUST	MX	31.07.2047	101.88	5.37	(P)BBB+	Baa1e
XS1678629186	EUR	200	1	1	0.875	FIXED	GRENKE FINANCE PLC	DE	07.10.2022	100.17	0.84	BBB+	#N/A N/A
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.45	0.88	BBB+	Baa2
XS1678966935	EUR	650	100	1	1.75	FIXED	CNH INDUSTRIAL FIN EUR S	GB	12.09.2025	99.80	1.78	BBB-	Baa2
XS1686846061	EUR	600	100	1	1.625	FIXED	ANGLO AMERICAN CAPITAL	GB	18.09.2025	99.99	1.63	#N/A N/A	Baa3
FR0013281755	EUR	600	100	100	1.5	FIXED	ICADE	FR	13.09.2027	99.32	1.57	BBB+	#N/A N/A
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	99.62	1.76	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.40	1.91	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	98.75	1.87	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	102.26	2.04	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.18	3.43	A-	A3
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	97.99	2.57	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	101.05	2.50	(P)BBB	#N/A N/A
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	98.26	4.32	A-	A3
Below Investment Grade New Issues													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.22	2.08	BBB-	Baa3
XS1637076164	USD	700	200	1	4.75	FIXED	COUNTRY GARDEN HDLGS	CN	25.07.2022	102.31	4.22	#N/A N/A	Ba1
XS1684378208	USD	500	200	1	4.25	FIXED	EXPORT CREDIT BANK OF TU	TR	18.09.2022	99.62	4.34	#N/A N/A	Ba1
US984121CQ49	USD	1000	2	1	3.625	FIXED	XEROX CORPORATION	US	15.03.2023	99.78	3.67	BBB-	Baa3
US25470DAQ25	USD	1200	2	1	2.95	FIXED	DISCOVERY COMMUNICATIONS	US	20.03.2023	99.89	2.97	BBB-	Baa3
XS1685702794	EUR	500	100	1	5.25	FIXED	INTRALOT CAPITAL LUX	GR	15.09.2024	100.89	5.10	B	(P)B1
XS1684384511	USD	1350	200	1	4.75	FIXED	SOFTBANK GROUP CORP	JP	19.09.2024	99.34	4.86	BB+	Ba1
USG25343AA52	USD	500	200	1	5.95	FIXED	COSAN LTD	BR	20.09.2024	101.89	5.62	#N/A N/A	#N/A N/A
USG98149AC46	USD	600	200	1	4.875	FIXED	WYNN MACAU LTD	MO	01.10.2024	102.14	4.52	#N/A N/A	B1e
XS1675855073	USD	850	200	1	5.25	FIXED	CBB INTERNATIONAL SUKUK	BH	20.03.2025	100.51	5.17	#N/A N/A	#N/A N/A
XS1684385161	EUR	1500	100	1	3.125	FIXED	SOFTBANK GROUP CORP	JP	19.09.2025	99.37	3.21	BB+	Ba1
DK0030403993	EUR	200	100	0.00001	1.75	FIXED	DSV AS	DK	20.09.2024	99.87	1.77	#N/A N/A	#N/A N/A
XS1684384867	USD	2000	200	1	5.125	FIXED	SOFTBANK GROUP CORP	JP	19.09.2027	98.92	5.27	BB+	Ba1
USL5828LAB55	USD	500	200	1	4.875	FIXED	KLABIN FINANCE SA	BR	19.09.2027	99.85	4.89	BB+	#N/A N/A
USG98149AD29	USD	750	200	1	5.5	FIXED	WYNN MACAU LTD	MO	01.10.2027	101.90	5.25	#N/A N/A	B1e
USL6388GAB60	USD	500	200	1	5.125	FIXED	MILLICOM INTL CELLULAR	LU	15.01.2028	101.17	4.98	#N/A N/A	Ba2e
US25470DAR08	USD	1700	2	1	3.95	FIXED	DISCOVERY COMMUNICATIONS	US	20.03.2028	99.59	4.00	BBB-	Baa3
XS1684385591	EUR	750	100	1	4	FIXED	SOFTBANK GROUP CORP	JP	19.09.2029	99.52	4.05	BB+	Ba1
XS1675862012	USD	1250	200	1	6.75	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2029	100.20	6.73	#N/A N/A	#N/A N/A
XS1675862103	USD	900	200	1	7.5	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2047	100.66	7.44	#N/A N/A	#N/A N/A

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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