

# MORNING BOND UPDATE

Wednesday, September 20, 2017

## T Bonds

\*\* U.S. Treasuries prices gained slightly on Tuesday but yields held within a tight range as investors waited on the conclusion of the Federal Reserve's two-day policy meeting for new indications on whether an additional interest rate hike is likely this year.

The U.S. central bank is widely expected to announce on Wednesday that it will begin paring its bond holdings, with reductions likely to start in the coming months.

Investors will also be watching for signals that the Fed will raise interest rates in December, in addition to any clarity on personnel changes as Fed Chair Janet Yellen's term-end approaches and after the resignation of Vice Chair Stanley Fischer earlier this month.

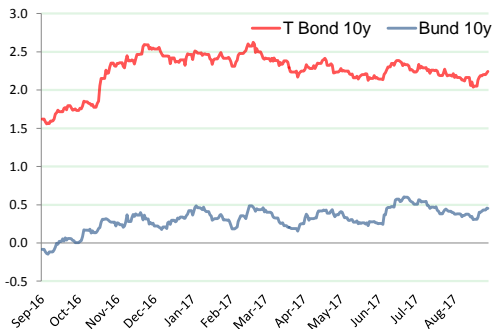
"We will see what Yellen has to say at the press conference regarding the balance sheet, regarding rates, regarding Fischer's resignation and her term, and see how the market takes it," said an analyst.

Benchmark 10-year notes were last up 3/32 in price to yield 2.22 percent, from 2.23 percent late on Monday.

Treasury yields briefly rose on Tuesday after data showed that U.S. import prices recorded their biggest increase in seven months in August as the cost of petroleum surged and there were also signs of a pickup in underlying imported inflation.

Expectations that the Fed may raise rates in December have increased since data last Thursday showed that U.S. consumer prices accelerated in August.

Interest rate futures traders are pricing in a 58-percent chance of a rate hike in that month, according to the CME Group's FedWatch Tool.



## European Union

\*\* The gap between Portuguese and Italian 10-year government bond yields narrowed on Tuesday to levels not seen since the start of the euro zone debt crisis of 2010-2012, showing how much investor sentiment towards Portugal has improved this year.

As one of the only junk-rated euro zone countries, Portugal has traditionally had much higher borrowing costs than its larger and better-rated southern European peers.

However, a strong rally in Portuguese debt over the last two sessions has accelerated a trend seen in recent months: the country is now catching up with Italy and Spain in the eyes of investors.

"It reflects the narrowing ratings differential and the fact that some political risk premium is still baked into Italian government bonds," said an analyst.

Portugal's bond market received a huge boost when S&P Global became the first major ratings agency to give the country back an investment grade rating on Friday, more than five years after it first sank into junk territory.

Portugal's 10-year government bond yield spread over Italy narrowed to around 34 basis points, the lowest since March 2010. At the start of the year, that difference was as high as 211 basis points.

The spread over top-rated Germany was also close to its narrowest level since December 2016 at 198 bps.

That spread tightening reflects improved sentiment towards Portugal, which was hit last year by fears it could lose its investment grade rating with smaller ratings agency DBRS that it needed to stay in the European Central Bank's bond-buying scheme.

Portugal's 10-year bond yield was down 5 basis points to 2.44 percent on Tuesday, continuing to outperform euro zone peers.

An analyst said Portugal's recovery from the euro zone debt crisis - when it needed a bailout from European authorities - is strong, but cautioned that it is still a weaker credit than Italy because of its external debt position.

Portugal's outstanding private debt stood at 280 percent of the country's economic output last year, comprising 178 percent for companies and 103 percent for households.

"I think this rally is on speculation that Portugal could now be included in many benchmark indices," an analyst said.

Many large bond indexes provided by investment banks only include investment grade borrowers, and inclusion in these usually guarantees a new influx of investors and lower yields.

However, many index providers require an investment grade rating from at least two of the three main credit ratings agencies, and Portugal now only has one. It is rated Ba1 by Moody's and BB+ by Fitch.

Most bond yields in the bloc were 1-3 bps lower ahead of a U.S. Federal Reserve meeting, which concludes on Wednesday.

The central bank of the world's biggest economy is expected to provide details on how it will reduce a massive balance sheet run-up through years of post-crisis money printing.

This is seen as significant by European investors as the ECB is also expected to tighten policy, possibly by announcing in October its plans for ending its own money-printing scheme.

## Other Markets :

\*\* Traders of some of Asia's highest-yielding bonds are sanguine as the Federal Reserve looks to start unwinding its hefty balance sheet.

The yield premium afforded Indonesia's notes over U.S. Treasuries has narrowed to levels last seen in June 2013, just after the Fed first indicated it may end its quantitative easing program. Bond yields spiked -- the so-called taper tantrum -- as then-Chairman Ben Bernanke hinted at a roll-back in U.S. central bank bond purchases.

This time, Indonesia's debt market might ride out the Fed's shift more smoothly. Demand is set to remain strong in the near term despite the recent increase in Treasury yields, according to Australia & New Zealand Banking Group Ltd. Improved economic fundamentals since 2013 also justify Indonesia's narrower yield premium, says an analyst in Singapore.

Global investors have snapped up 150.7 trillion rupiah (\$11.3 billion) of Indonesian bonds so far this year, already ahead of 2014's \$10.6 billion record. Some economists also expect the Southeast Asian nation to cut interest rates again after last month's surprise easing.

	Last	Prev	02.janv
US 2y	1.39	1.40	0.70
US 10y	2.24	2.24	2.20
Germany 2y	-0.68	-0.69	-0.10
Germany 10y	0.45	0.45	0.54
France 2y	-0.47	-0.48	-0.05
France 10y	0.73	0.72	0.81
Swiss 2y	-0.81	-0.81	-0.28
Swiss 10y	-0.04	-0.03	0.32
Australia 2y	2.00	2.00	2.21
Australia 10y	2.83	2.81	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

Wednesday, September 20, 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>													
US44891CAQ69	USD	300	2	1	2.75	FIXED	HYUNDAI CAPITAL AMERICA	US	18.09.2020	100.07	2.72	#N/A N/A	Baa1
US44891CAP86	USD	250	2	1	2.325	FLOATING	HYUNDAI CAPITAL AMERICA	US	18.09.2020	100.06	2.31	#N/A N/A	Baa1
XS1683356874	USD	500	200	1	2.5	FIXED	INVENTIVE GLOBAL INV LTD	CN	19.09.2020	99.99	2.50	#N/A N/A	#N/A N/A
XS1679508504	USD	500	200	1	2.75	FIXED	HPHT FINANCE 17 LTD	HK	11.09.2022	99.41	2.88	#N/A N/A	Baa1
US09681MAD02	USD	500	200	1	2.75	FIXED	BOC AVIATION LTD	SG	18.09.2022	99.21	2.92	A-	#N/A N/A
US44891CAR43	USD	450	2	1	3.25	FIXED	HYUNDAI CAPITAL AMERICA	US	20.09.2022	100.20	3.21	#N/A N/A	Baa1
USG0446NAM68	USD	650	200	1	3.625	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2024	100.96	3.47	BBB-	Baa3
XS1577950402	USD	500	200	1	4.215	FIXED	COCA-COLA ICECEK AS	TR	19.09.2024	101.94	3.89	#N/A N/A	Baa3
XS1688567251	USD	400	200	1	3.625	FIXED	MIRVAC GROUP FINANCE LTD	AU	18.03.2027	99.30	3.71	#N/A N/A	A3e
US09681MAE84	USD	500	200	1	3.5	FIXED	BOC AVIATION LTD	SG	18.09.2027	99.50	3.56	A-	#N/A N/A
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.97	3.96	BBB	Baa3
USG0446NAN42	USD	650	200	1	4	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2027	99.75	4.03	BBB-	Baa3
USP6629MAC66	USD	1000	200	1	3.875	FIXED	MEXICO CITY ARPT TRUST	MX	30.04.2028	99.80	3.90	(P)BBB+	Baa1e
USP6629MAD40	USD	3000	200	1	5.5	FIXED	MEXICO CITY ARPT TRUST	MX	31.07.2047	101.83	5.38	(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	101.51	0.87	BBB+	Baa2
XS1678966935	EUR	650	100	1	1.75	FIXED	CNH INDUSTRIAL FIN EUR S	GB	12.09.2025	99.70	1.79	BBB-	Ba2
XS1686846061	EUR	600	100	1	1.625	FIXED	ANGLO AMERICAN CAPITAL	GB	18.09.2025	100.11	1.61	#N/A N/A	Baa3
FR0013281755	EUR	600	100	100	1.5	FIXED	ICADE	FR	13.09.2027	99.38	1.57	BBB+	#N/A N/A
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	99.68	1.75	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.53	1.90	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	98.60	1.88	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	102.33	2.03	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.07	3.46	A-	A3
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	97.88	2.59	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	100.96	2.51	(P)BBB	#N/A N/A
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	98.07	4.34	A-	A3
<b>Below Investment Grade New Issues</b>													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.36	2.02	BBB-	Baa3
US984121CQ49	USD	1000	2	1	3.625	FIXED	XEROX CORPORATION	US	15.03.2023	101.08	3.41	BBB-	Baa3
XS1684384511	USD	1350	200	1	4.75	FIXED	SOFTBANK GROUP CORP	JP	19.09.2024	100.08	4.74	BB+	Ba1
USG25343AA52	USD	500	200	1	5.95	FIXED	COSAN LTD	BR	20.09.2024	102.90	5.45	BB	#N/A N/A
USN6945AAJ62	USD	1000	2	1	5.299	FIXED	PETROBRAS GLOBAL FINANCE	BR	27.01.2025	99.75	5.34	BB-	B1e
XS1684385161	EUR	1500	100	1	3.125	FIXED	SOFTBANK GROUP CORP	JP	19.09.2025	100.09	3.11	BB+	Ba1
DK0030403993	EUR	200	100	0.00001	1.75	FIXED	DSV AS	DK	20.09.2024	100.37	1.69	#N/A N/A	#N/A N/A
XS1684384867	USD	2000	200	1	5.125	FIXED	SOFTBANK GROUP CORP	JP	19.09.2027	99.82	5.15	BB+	Ba1
USL5828LAB55	USD	500	200	1	4.875	FIXED	KLABIN FINANCE SA	BR	19.09.2027	99.40	4.95	BB+	#N/A N/A
<b>US836205AW44</b>	<b>USD</b>	<b>1000</b>	<b>200</b>	<b>1</b>	<b>4.85</b>	<b>FIXED</b>	<b>REPUBLIC OF SOUTH AFRICA</b>	<b>ZA</b>	<b>27.09.2027</b>	<b>100.49</b>	<b>4.79</b>	<b>#N/A N/A</b>	<b>Baa3e</b>
USG98149AD29	USD	750	200	1	5.5	FIXED	WYNN MACAU LTD	MO	01.10.2027	101.84	5.26	B	B1e
USL6388GAB60	USD	500	200	1	5.125	FIXED	MILLICOM INTL CELLULAR	LU	15.01.2028	101.15	4.98	#N/A N/A	Ba2e
USN6945AAK36	USD	1000	2	1	5.999	FIXED	PETROBRAS GLOBAL FINANCE	BR	27.01.2028	99.10	6.12	BB-	B1e
XS1684385591	EUR	750	100	1	4	FIXED	SOFTBANK GROUP CORP	JP	19.09.2029	100.16	3.98	BB+	Ba1
XS1675862012	USD	1250	200	1	6.75	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2029	99.83	6.77	#N/A N/A	#N/A N/A
XS1675862103	USD	900	200	1	7.5	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2047	99.96	7.50	#N/A N/A	#N/A N/A
<b>US836205AX27</b>	<b>USD</b>	<b>1500</b>	<b>200</b>	<b>1</b>	<b>5.65</b>	<b>FIXED</b>	<b>REPUBLIC OF SOUTH AFRICA</b>	<b>ZA</b>	<b>27.09.2047</b>	<b>100.50</b>	<b>5.61</b>	<b>#N/A N/A</b>	<b>Baa3e</b>

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

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