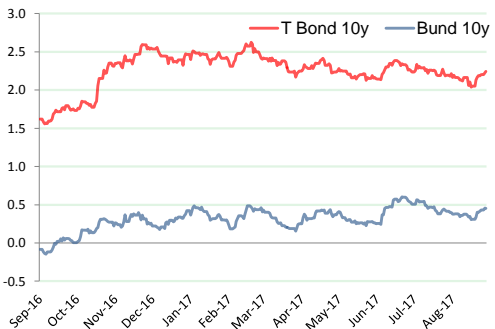


MORNING BOND UPDATE

Thursday, September 21, 2017



	Last	Prev	02.janv
US 2y	1.43	1.44	0.70
US 10y	2.27	2.27	2.20
Germany 2y	-0.67	-0.69	-0.10
Germany 10y	0.47	0.44	0.54
France 2y	-0.46	-0.47	-0.05
France 10y	0.76	0.73	0.81
Swiss 2y	-0.77	-0.82	-0.28
Swiss 10y	-0.02	-0.05	0.32
Australia 2y	1.98	2.00	2.21
Australia 10y	2.83	2.83	2.87

T Bonds

** **U.S. Treasuries** yields jumped to their highest levels in six weeks on Wednesday after the Federal Reserve's statement from its policy meeting was interpreted as keeping a December interest rate hike on the table.

New economic projections released after the Fed's two-day policy meeting showed 11 of 16 officials see the "appropriate" level for the federal funds rate, the central bank's benchmark interest rate, to be in a range between 1.25 percent and 1.50 percent by the end of 2017, one-quarter of a point above the current level.

The Fed's economic projections for 2017 were unchanged, said an analyst.

"That gives us a little bit more confidence that there is probably going to be a third rate hike coming in December," the latter said.

Benchmark 10-year notes fell 9/32 in price to yield 2.27 percent, after yields got as far as 2.29 percent, the highest since Aug. 8.

Some traders and investors had thought that the Fed may strike a more dovish tone given the potential economic impact of recent severe hurricanes and still sluggish inflation.

The U.S. central bank was also seen as potentially slowing its rate hike path to give the market time to absorb reductions in its balance sheet.

The Fed said it would begin in October to reduce its approximately \$4.2 trillion in holdings of U.S. Treasury bonds and mortgage-backed securities, as expected, by initially cutting up to \$10 billion each month from the amount of maturing securities it reinvests.

"There is no real dovish rhetoric anywhere that would have you thinking anything but rate hikes or tightening over the next year or so," said an analyst.

"I think that hawkish setup was not something the market expected, they expected a little more lip service paid to the uncertainties," an analyst added.

Interest rate futures traders are pricing in a 68 percent chance of a December rate hike, after rising to 72 percent immediately after the statement, according to the CME Group's FedWatch Tool.

European Union

** **Euro zone** government bond yields nudged down on Wednesday as investors awaited the conclusion of a U.S. Federal Reserve meeting for clues on whether another interest rate rise is likely this year.

Caught between a lull in U.S. inflation and a stronger global economy, the Fed is expected to signal whether it will raise rates for a third time this year or back off until prices rise more briskly.

What it says is important for the outlook for monetary policy in the euro zone, since any statement that points to another rate hike this year could lift the dollar against the euro.

And any weakening in the single currency, up around 14 percent against the dollar this year, could encourage the European Central Bank to press ahead with plans to unwind its hefty stimulus scheme.

A strong euro, with its dampening effect on inflation, has clouded the outlook for ECB tapering.

ECB policymakers are divided on whether to set a definitive end-date for their stimulus scheme when they meet in October, raising the chance that they will keep open at least the option of prolonging it again, Reuters reported on Tuesday.

"The euro is still strong so that doesn't make life easier for the ECB," an analyst. "If we move closer to a U.S. rate hike, that should come along with a bit more dollar strength and euro weakness which would harden the ECB's exit case and be a headwind for government bonds."

Most euro zone bond yields fell around 1-2 basis points on the day, with **Germany's** 10-year yield - the benchmark for the region - lower 1 basis point at 0.44 percent.

Spain was an underperformer on a day when concerns intensified around an independence referendum in the Spanish region of Catalonia.

Spanish police raided Catalan government offices and arrested officials on Wednesday to halt a banned referendum on independence, an action the regional president said meant Madrid had effectively taken over his administration.

The Spanish 10-year bond yield rose 2 basis points to 1.46 percent, and the spread over Germany widened out to 103 bps from 99 bps at the open.

It was a different story for neighbouring **Portugal**: its 10-year borrowing costs hit their lowest level since December 2015 at 2.387 percent, extending sharp falls seen after the country's return to investment grade with a major ratings agency.

German long-dated bond yields dipped after a 30-year bond auction.

The country's 30-year yields fell 2 bps to 1.23 percent.

Other Markets :

** The Bank of **Japan** kept monetary settings steady on Thursday, but a board newcomer argued against the central bank's view that current policy was sufficient to boost inflation to its 2 percent target in a sobering assessment of the outlook.

Goushi Kataoka, a vocal advocate of aggressive easing who joined the board in late July, dissented in an 8-1 vote - potentially exposing a fresh rift in the board that could further delay any plan by the BOJ to dial back its massive stimulus.

As widely expected, the BOJ decided to keep its short-term interest rate target at minus 0.1 percent and a pledge to guide 10-year government bond yields around zero percent under its yield curve control (YCC) policy.

The BOJ also maintained a loose pledge to keep buying bonds so its holdings increase at an annual pace of 80 trillion yen (\$717.6 billion), diverting from the U.S. Federal Reserve's plan to steadily pull back from crisis-era measures.

Kataoka expressed skepticism about BOJ's conviction on hitting 2 percent inflation.

"Given excess supply capacity remaining in the capital stock and labour market, monetary easing effects gained from the current yield curve aren't enough to achieve 2 percent inflation around fiscal 2019," as projected by the BOJ, Kataoka said in a statement announcing the policy decision.

The former economist did not propose lowering rates but said inflation was unlikely to accelerate toward 2 percent from next year, signalling the need for further easing steps to nudge up consumer inflation from current levels of around 0.5 percent.

Kataoka and former banker Hitoshi Suzuki, who voted with the majority of the board, replaced former market analysts Takahide Kiuchi and Takehiro Sato, who had voiced doubts on Kuroda's radical monetary experiment.

DAILY BOND LIST

Thursday, September 21, 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>													
US44891CAQ69	USD	300	2	1	2.75	FIXED	HYUNDAI CAPITAL AMERICA	US	18.09.2020	100.01	2.75	A-	Baa1
US44891CAP86	USD	250	2	1	2.325	FLOATING	HYUNDAI CAPITAL AMERICA	US	18.09.2020	100.19	2.26	A-	Baa1
XS1683356874	USD	500	200	1	2.5	FIXED	INVENTIVE GLOBAL INV LTD	CN	19.09.2020	99.94	2.52	#N/A N/A	#N/A N/A
XS1679508504	USD	500	200	1	2.75	FIXED	HPHT FINANCE 17 LTD	HK	11.09.2022	99.35	2.89	#N/A N/A	Baa1
US09681MAD02	USD	500	200	1	2.75	FIXED	BOC AVIATION LTD	SG	18.09.2022	98.99	2.97	A-	#N/A N/A
US44891CAR43	USD	450	2	1	3.25	FIXED	HYUNDAI CAPITAL AMERICA	US	20.09.2022	100.09	3.23	A-	Baa1
XS1688390068	USD	300	200	1	3	FIXED	QBE INSURANCE GROUP LTD	AU	25.05.2023	99.14	3.17	#N/A N/A	#N/A N/A
USG0446NAM68	USD	650	200	1	3.625	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2024	100.31	3.57	BBB-	Baa3
XS1577950402	USD	500	200	1	4.215	FIXED	COCA-COLA ICECEK AS	TR	19.09.2024	101.79	3.92	#N/A N/A	Baa3
XS1688567251	USD	400	200	1	3.625	FIXED	MIRVAC GROUP FINANCE LTD	AU	18.03.2027	99.03	3.75	#N/A N/A	A3e
US09681MAE84	USD	500	200	1	3.5	FIXED	BOC AVIATION LTD	SG	18.09.2027	99.06	3.61	A-	#N/A N/A
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.94	3.96	BBB	Baa3
USG0446NAN42	USD	650	200	1	4	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2027	99.47	4.06	BBB-	Baa3
USP6629MAC66	USD	1000	200	1	3.875	FIXED	MEXICO CITY ARPT TRUST	MX	30.04.2028	99.35	3.95	(P)BBB+	Baa1e
USP6629MAD40	USD	3000	200	1	5.5	FIXED	MEXICO CITY ARPT TRUST	MX	31.07.2047	101.02	5.43	(P)BBB+	Baa1e
XS1678629186	EUR	200	1	1	0.875	FIXED	GRENKE FINANCE PLC	DE	07.10.2022	100.09	0.86	BBB+	#N/A N/A
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.57	0.86	BBB+	Baa2
XS1678966935	EUR	650	100	1	1.75	FIXED	CNH INDUSTRIAL FIN EUR S	GB	12.09.2025	99.82	1.77	BBB-	Ba2
XS1686846061	EUR	600	100	1	1.625	FIXED	ANGLO AMERICAN CAPITAL	GB	18.09.2025	100.13	1.61	#N/A N/A	Baa3
XS1577951129	EUR	500	100	1	1.375	FIXED	GOODMAN AUSTRALIA FIN	AU	27.09.2025	99.96	1.38	#N/A N/A	Baa1e
XS1689523840	EUR	600	100	1	1.125	FIXED	BRENTAG FINANCE BV	DE	27.09.2025	99.50	1.19	#N/A N/A	#N/A N/A
FR0013281755	EUR	600	100	100	1.5	FIXED	ICADE	FR	13.09.2027	99.29	1.58	BBB+	#N/A N/A
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	99.61	1.76	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.61	1.89	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	98.73	1.87	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	102.49	2.02	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.11	3.45	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	98.03	4.35	A-	A3
Below Investment Grade New Issues													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.32	2.04	BBB-	Baa3
XS1684384511	USD	1350	200	1	4.75	FIXED	SOFTBANK GROUP CORP	JP	19.09.2024	99.96	4.76	BB+	Ba1
USG25343AA52	USD	500	200	1	5.95	FIXED	COSAN LTD	BR	20.09.2024	102.26	5.55	BB	#N/A N/A
USN6945AAJ62	USD	1000	2	1	5.299	FIXED	PETROBRAS GLOBAL FINANCE	BR	27.01.2025	100.10	5.28	BB-	B1
DK0030403993	EUR	200	100	0.00001	1.75	FIXED	DSV AS	DK	20.09.2024	100.26	1.71	#N/A N/A	#N/A N/A
AT0000A1Y3P7	EUR	500	0.5	0.5	1.375	FIXED	VOESTALPINE AG	AT	27.09.2024	99.63	1.43	#N/A N/A	#N/A N/A
XS1684384867	USD	2000	200	1	5.125	FIXED	SOFTBANK GROUP CORP	JP	19.09.2027	99.72	5.16	BB+	Ba1
USL5828LAB55	USD	500	200	1	4.875	FIXED	KLABIN FINANCE SA	BR	19.09.2027	99.63	4.92	BB+	#N/A N/A
US836205AW44	USD	1000	200	1	4.85	FIXED	REPUBLIC OF SOUTH AFRICA	ZA	27.09.2027	100.02	4.85	#N/A N/A	Baa3e
USG98149AD29	USD	750	200	1	5.5	FIXED	WYNN MACAU LTD	MO	01.10.2027	101.86	5.26	B	B1e
USN6945AAK36	USD	1000	2	1	5.999	FIXED	PETROBRAS GLOBAL FINANCE	BR	27.01.2028	99.20	6.11	BB-	B1
XS1675862012	USD	1250	200	1	6.75	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2029	99.66	6.79	#N/A N/A	#N/A N/A
XS1675862103	USD	900	200	1	7.5	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2047	99.41	7.55	#N/A N/A	#N/A N/A
US836205AX27	USD	1500	200	1	5.65	FIXED	REPUBLIC OF SOUTH AFRICA	ZA	27.09.2047	100.26	5.63	#N/A N/A	Baa3e

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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