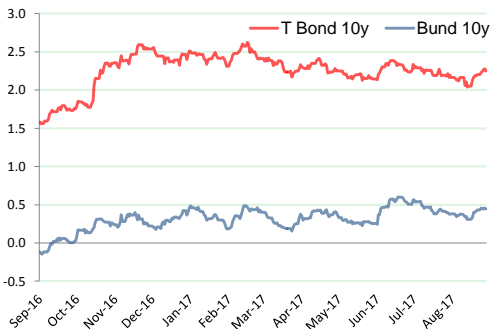


MORNING BOND UPDATE

Friday, September 22, 2017



	Last	Prev	02.janv
US 2y	1.43	1.44	0.70
US 10y	2.25	2.28	2.20
Germany 2y	-0.69	-0.68	-0.10
Germany 10y	0.44	0.46	0.54
France 2y	-0.48	-0.47	-0.05
France 10y	0.73	0.74	0.81
Swiss 2y	-0.79	-0.79	-0.28
Swiss 10y	-0.03	-0.04	0.32
Australia 2y	1.96	1.98	2.21
Australia 10y	2.79	2.83	2.87

T Bonds

** The **U.S. Treasuries** yield curve flattened to two-and-a-half month lows on Thursday as investors adjusted for the likelihood of a December interest rate increase, a day after the Federal Reserve struck a more hawkish-than-expected tone at its September meeting.

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 year-end.

The yield curve between Treasury five-year notes and 30-year bonds flattened to 92 basis points on Thursday, the lowest level since July 6.

Intermediate-dated debt is highly sensitive to interest rate increases, helping them underperform, while longer-dated bonds are influenced by inflation expectations.

Some traders and investors had expected the Fed to 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.

Personal income data released on Sept. 29 will be the next major focus for signs of whether inflation is picking up.

The core personal consumption expenditures (PCE) index, which excludes food and energy prices, is the Fed's preferred measure of inflation.

The Treasury Department saw soft demand for a \$11 billion sale of 10-year Treasury Inflation-Protected Securities (TIPS) on Thursday, which sold at yields more than 2 basis points higher than they had traded before the auction.

Data on Thursday showed that manufacturing activity in the mid-Atlantic region accelerated in September amid a surge in new orders.

European Union

** **German** bond yields hit their highest since early August on Thursday after policymakers in the United States signaled they expect to raise interest rates one more time this year and begin the "Great Unwinding" of a decade of aggressive stimulus.

The U.S. Federal Reserve said it would begin in October to reduce its approximately \$4.2 trillion in holdings of U.S. Treasury bonds and mortgage-backed securities acquired in the years after the 2008 financial crisis.

"While the announcement that the balance sheet run-off will start in October was well flagged, the main surprise was the fact that the median path for next year shows three hikes," said an analyst.

The yield on Germany's 10-year government bond, rose to 0.50 percent, its highest since early August. It had pulled back by late trade to around 0.45 percent, still up around 2 bps on the day.

The gap between U.S. and German 10-year borrowing costs widened to 184 bps on Wednesday - its highest in a month - before tightening on Thursday.

Government bonds of the world's major developed economies tend to move together as many investors shift between them.

In addition, the European Central Bank is expected to take its cue from its U.S. counterpart and move towards tighter policy in the coming months.

European Central Bank President Mario Draghi said on Thursday monetary policy was not the right instrument to address financial imbalances in the euro zone.

Spain sold 4.7 billion euros of bonds on Thursday against a backdrop of political tensions between Madrid and Catalonia, as tens of thousands marched through the streets of Barcelona.

The protests came after Spanish police raided Catalan government offices and arrested officials on Wednesday to halt a banned referendum on independence.

Spanish government bonds, having underperformed on Wednesday, moved roughly in line with peers on Thursday, the 10-year yield rising 4 bps to top 1.50 percent.

"The central Spanish government's increasingly rigorous line of action in response to Catalonia's aspirations to independence triggered profit-taking on Spanish debt instruments, which subsequently spilled over to (Italian) BTPs," an analyst said.

Greek bond yields rose 4 bps to 5.56 percent after Reuters reported late on Wednesday the country was considering swapping 20 small bond issues for four or five new ones as it prepares to exit its international bailout.

Other Markets :

** **China's** attempts to reduce risks from its rapid buildup in debt are not working as quickly as expected and credit growth is still too fast, S&P Global Ratings said on Friday, a day after it downgraded the country's sovereign credit rating.

While S&P warned months ago that a cut may be on the cards, it said it decided to make the call after concluding that China's "de-risking" drive that started early this year was having less of an impact on credit growth than initially expected.

"Despite the fact that the government has shown greater resolve to implement the deleveraging policy, we continue to see overall credit in the corporate sector to stay at a 9 percent point", Kim Eng Tan, an S&P senior director of sovereign ratings, said in a conference call to discuss the one-notch downgrade to A+ from AA-.

"We've now come to the conclusion that while we do expect some deleveraging in the next few years, this deleveraging is likely to be much more gradual than we thought could have been the case early this year."

Tan said broader lending by all financial institutions, excluding equity fund-raising, has started to rise after growing by a relatively steady 12-13 percent in the last few years.

"That was the key metric that we look at...and we believe while this growth of aggregate debt financing could come down somewhat over the next few years, it's not likely to come down very sharply."

Indeed, China's new bank lending and total social financing (TSF), a broad measure of credit and liquidity in the economy, look set to hit record highs again this year.

China's banks extended a record 12.65 trillion yuan (\$1.84 trillion) of loans in 2016, roughly the size of Italy's economy. TSF was a record 17.8 trillion yuan (\$2.70 trillion).

"One of the things that we do look for is more than just stabilization of financial risks, but actual decline or moderation in financial risks," Tan said.

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

Friday, September 22, 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	100.08	2.72	A-	Baa1
US44891CAP86	USD	250	2	1	2.325	FLOATING	HYUNDAI CAPITAL AMERICA	US	18.09.2020	99.94	2.35	A-	Baa1
XS1683356874	USD	500	200	1	2.5	FIXED	INVENTIVE GLOBAL INV LTD	CN	19.09.2020	99.93	2.53	#N/A N/A	#N/A N/A
XS1679508504	USD	500	200	1	2.75	FIXED	HPHT FINANCE 17 LTD	HK	11.09.2022	99.29	2.91	#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	100.15	3.22	A-	Baa1
XS1688390068	USD	300	200	1	3	FIXED	QBE INSURANCE GROUP LTD	AU	25.05.2023	99.16	3.16	#N/A N/A	#N/A N/A
USG0446NAM68	USD	650	200	1	3.625	FIXED	ANGLO AMERICAN CAPITAL	GB	11.09.2024	100.33	3.57	BBB-	Baa3
XS1577950402	USD	500	200	1	4.215	FIXED	COCA-COLA ICECEK AS	TR	19.09.2024	101.52	3.96	#N/A N/A	Baa3
XS1688567251	USD	400	200	1	3.625	FIXED	MIRVAC GROUP FINANCE LTD	AU	18.03.2027	99.15	3.73	#N/A N/A	(P)A3
US09681MAE84	USD	500	200	1	3.5	FIXED	BOC AVIATION LTD	SG	18.09.2027	99.69	3.54	A-	#N/A N/A
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	102.38	3.91	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	99.15	3.97	(P)BBB+	Baa1e
USP6629MAD40	USD	3000	200	1	5.5	FIXED	MEXICO CITY ARPT TRUST	MX	31.07.2047	100.97	5.43	(P)BBB+	Baa1e
XS1691349796	EUR	550	100	1	0.918	FIXED	NORTEGAS ENERGIA DISTRI	ield Not App	28.09.2022	100.40	0.83	#N/A N/A	#N/A N/A
XS1678629186	EUR	200	1	1	0.875	FIXED	GRENKE FINANCE PLC	DE	07.10.2022	100.22	0.83	BBB+	#N/A N/A
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.47	0.88	BBB+	Baa2
XS1686846061	EUR	600	100	1	1.625	FIXED	ANGLO AMERICAN CAPITAL	GB	18.09.2025	99.94	1.63	#N/A N/A	Baa3
XS1577951129	EUR	500	100	1	1.375	FIXED	GOODMAN AUSTRALIA FIN	AU	27.09.2025	100.05	1.37	BBB+	Baa1e
XS1689523840	EUR	600	100	1	1.125	FIXED	BRENNTAG FINANCE BV	DE	27.09.2025	99.63	1.17	#N/A N/A	Baa3
FR0013281755	EUR	600	100	100	1.5	FIXED	ICADE	FR	13.09.2027	99.64	1.54	BBB+	#N/A N/A
XS1691349952	EUR	750	100	1	2.065	FIXED	NORTEGAS ENERGIA DISTRI	ield Not App	28.09.2027	100.65	1.99	#N/A N/A	#N/A N/A
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	99.87	1.73	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.42	1.91	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	102.52	2.02	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.20	3.43	A-	A3
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	97.77	2.60	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	100.89	2.52	(P)BBB	#N/A N/A
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	98.35	4.31	A-	A3
Below Investment Grade New Issues													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.34	2.02	BBB-	Baa3
FR0013284643	EUR	500	100	100	4.196	FIXED	ERAMET	FR	28.02.2024	100.25	4.15	#N/A N/A	#N/A N/A
USG25343AA52	USD	500	200	1	5.95	FIXED	COSAN LTD	BR	20.09.2024	102.10	5.58	BB	#N/A N/A
USN6945AAJ62	USD	1000	2	1	5.299	FIXED	PETROBRAS GLOBAL FINANCE	BR	27.01.2025	99.85	5.33	BB-	B1
AT0000A1Y3P7	EUR	500	0.5	0.5	1.375	FIXED	VOESTALPINE AG	AT	27.09.2024	99.65	1.43	#N/A N/A	#N/A N/A
USL5828LAB55	USD	500	200	1	4.875	FIXED	KLABIN FINANCE SA	BR	19.09.2027	99.10	4.99	BB+	#N/A N/A
US836205AW44	USD	1000	200	1	4.85	FIXED	REPUBLIC OF SOUTH AFRICA	ZA	27.09.2027	100.01	4.85	#N/A N/A	Baa3e
FI4000282629	EUR	250	100	1	2.75	FIXED	METSA BOARD OYJ	FI	29.09.2027	101.25	2.60	#N/A N/A	#N/A N/A
USG98149AD29	USD	750	200	1	5.5	FIXED	WYNN MACAU LTD	MO	01.10.2027	101.70	5.28	B	B1e
USN6945AAK36	USD	1000	2	1	5.999	FIXED	PETROBRAS GLOBAL FINANCE	BR	27.01.2028	99.75	6.03	BB-	B1
XS1675862012	USD	1250	200	1	6.75	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2029	99.32	6.83	#N/A N/A	#N/A N/A
XS1675862103	USD	900	200	1	7.5	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2047	99.18	7.57	#N/A N/A	#N/A N/A
US836205AX27	USD	1500	200	1	5.65	FIXED	REPUBLIC OF SOUTH AFRICA	ZA	27.09.2047	100.22	5.63	#N/A N/A	Baa3e

Bold type : new entries of the day

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