

MORNING BOND UPDATE

Tuesday, September 26, 2017



	Last	Prev	02.janv
US 2y	1.42	1.42	0.70
US 10y	2.22	2.22	2.20
Germany 2y	-0.71	-0.71	-0.10
Germany 10y	0.41	0.40	0.54
France 2y	-0.51	-0.51	-0.05
France 10y	0.70	0.70	0.81
Swiss 2y	-0.82	-0.82	-0.28
Swiss 10y	-0.06	-0.06	0.32
Australia 2y	1.94	1.96	2.21
Australia 10y	2.77	2.80	2.87

T Bonds

** **U.S. Treasury** yields fell on Monday as concerns about tensions between North Korea and the United States and a surge in support for the far right in Sunday's German election stoked safe-haven demand for U.S. government bonds.

The benchmark 10-year yield posted its biggest single-day drop in over two weeks, holding within its recent range ahead of this week's \$88 billion in short- and medium-term debt supply and a speech on Tuesday from Federal Reserve Chair Janet Yellen.

On Monday, North Korean foreign minister Ri Yong Ho said U.S. President Donald Trump declared war on North Korea and that Pyongyang reserves the right to take countermeasures amid heated rhetoric between Trump and North Korean leader Kim Jong Un over the latter's nuclear weapons program.

U.S. bond yields initially fell in step with their German counterparts following a surprisingly weak election result for Germany's Angela Merkel. A surge in support for the far right stoked concerns about a more hardline stance towards the euro zone.

The benchmark 10-year Treasury yield was down 4 basis points at 2.222 percent.

Last Wednesday, the 10-year yield reached 2.289 percent, its highest since Aug. 8, after the Fed signaled it may raise interest rates at its Dec. 12-13 policy meeting.

While geopolitical worries returned to the forefront on Monday, traders appeared more focused on this week's bond supply and what Yellen may hint about a possible December rate increase than on geopolitical concerns.

The Treasury Department will sell \$26 billion of two-year notes on Tuesday; \$34 billion in five-year debt on Wednesday and \$28 billion of seven-year notes on Thursday.

On Tuesday, Yellen is scheduled to speak on "Prospects for Growth: Reassessing the Fundamentals" at 12:45 p.m. (1645 GMT).

Earlier on Monday, New York Fed President William Dudley said the U.S. central bank is on track to gradually raise rates given factors depressing inflation are "fading" and the U.S. economy's fundamentals are sound.

On the other hand, Chicago Fed President Charles Evans said the Fed should wait until there are clear signs of faster wage and price growth before hiking rates again.

European Union

** **Southern European** government bonds underperformed on Monday after an unexpectedly weak election result for **Germany's** Angela Merkel led to concerns about the emergence of a more hardline stance towards the euro zone in the bloc's largest economy.

Merkel secured a fourth term as chancellor but was weakened by a surge in support for the far right and investors were unsettled by the possibility that she may have to form a coalition with the pro-business Free Democrats (FDP) and Greens - the so-called "Jamaica" coalition.

Some also said the German result could complicate the European Central Bank's policy path as it looks to scale back its monetary stimulus programme, which has driven down borrowing costs since its launch in 2015.

The concerns come a day before **French** President Emmanuel Macron is due to announce his proposals for European Union reforms in a speech in Paris.

Lower-rated **Spanish, Italian** and **Portuguese** government bonds sold off and 10-year yields rose 3 basis points across the board in early trade.

They clawed back price losses as the session wore on, but remained underperformers on a day when higher-rated euro zone government bond yields fell 4-5 bps.

The Italy-Germany 10-year government bond yield spread hit its widest in 3 weeks at around 170 bps.

Germany's 10-year bond yield hit an 11-day low of 0.395 percent, down 6 bps on the day in late trade on renewed jitters over North Korea.

Yields on most other highly rated government bonds, such as those of **Austria** and the **Netherlands**, also fell.

Demand for those bonds comes at a time when investors are also wondering what the implications of the German election are for European Central Bank policy.

The ECB is largely expected to announce the end of its bond-buying scheme next month, as it seeks to unwind years of extraordinary post-crisis stimulus.

Other Markets :

** **Japanese** government bonds were on solid footing on Tuesday, as futures edged up on the back of renewed tensions over the Korean peninsula amid an escalating war of words between North Korea and Washington.

December 10-year JGB futures rose 0.07 point to 150.91.

The benchmark 10-year JGB yield was unchanged at 0.020 percent.

Tuesday's 500 billion yen (\$4.48 billion) 40-year JGB auction drew ample investor interest, with the bid-to-cover ratio, a gauge of demand, rising to 3.24 from 3.20 at the previous sale in July.

As 10-year JGB yields hovered around or below zero percent under the Bank of Japan's yield curve control scheme, 40-year JGBs are one of the few remaining maturities that offer returns to investors.

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

Tuesday, September 26, 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													
US44891CAQ69	USD	300	2	1	2.75	FIXED	HYUNDAI CAPITAL AMERICA	US	18.09.2020	100.14	2.70	A-	Baa1
US44891CAP86	USD	250	2	1	2.325	FLOATING	HYUNDAI CAPITAL AMERICA	US	18.09.2020	100.22	2.25	A-	Baa1
XS1683356874	USD	500	200	1	2.5	FIXED	INVENTIVE GLOBAL INV LTD	CN	19.09.2020	99.98	2.51	#N/A N/A	#N/A N/A
XS1687735107	USD	300	200	1	2.27972	FLOATING	HANJIN INTERNATIONAL COR	KR	28.09.2020	100.12	2.24	#N/A N/A	Aa2
US09681MAD02	USD	500	200	1	2.75	FIXED	BOC AVIATION LTD	SG	18.09.2022	99.16	2.93	A-	#N/A N/A
US44891CAR43	USD	450	2	1	3.25	FIXED	HYUNDAI CAPITAL AMERICA	US	20.09.2022	100.32	3.18	A-	Baa1
XS1686463305	USD	400	200	1	3.375	FIXED	VOYAGE BONDS LTD	CN	28.09.2022	99.84	3.41	#N/A N/A	#N/A N/A
XS1688390068	USD	300	200	1	3	FIXED	QBE INSURANCE GROUP LTD	AU	25.05.2023	99.27	3.14	#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	101.54	3.96	#N/A N/A	Baa3
XS1688567251	USD	400	200	1	3.625	FIXED	MIRVAC GROUP FINANCE LTD	AU	18.03.2027	99.43	3.70	BBB+	A3
US09681MAE84	USD	500	200	1	3.5	FIXED	BOC AVIATION LTD	SG	18.09.2027	100.03	3.50	A-	#N/A N/A
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.86	3.97	BBB	Baa3
USP6629MAC66	USD	1000	200	1	3.875	FIXED	MEXICO CITY ARPT TRUST	MX	30.04.2028	99.53	3.93	BBB+	Baa1e
USP6629MAD40	USD	3000	200	1	5.5	FIXED	MEXICO CITY ARPT TRUST	MX	31.07.2047	101.50	5.40	BBB+	Baa1e
XS1692378323	EUR	250	100	1	1.125	FIXED	HOIST KREDIT AB	ES	04.10.2021	100.35	1.03	#N/A N/A	#N/A N/A
XS1691349796	EUR	550	100	1	0.918	FIXED	NORTEGAS ENERGIA DISTRI	ES	28.09.2022	100.50	0.82	BBB-	#N/A N/A
XS1678629186	EUR	200	1	1	0.875	FIXED	GRENKE FINANCE PLC	DE	07.10.2022	100.43	0.79	BBB+	#N/A N/A
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.82	0.82	BBB+	Baa2
XS1686846061	EUR	600	100	1	1.625	FIXED	ANGLO AMERICAN CAPITAL	GB	18.09.2025	99.93	1.63	#N/A N/A	Baa3
XS1577951129	EUR	500	100	1	1.375	FIXED	GOODMAN AUSTRALIA FIN	AU	27.09.2025	100.40	1.32	BBB+	Baa1
XS1689523840	EUR	600	100	1	1.125	FIXED	BRENNTAG FINANCE BV	DE	27.09.2025	99.86	1.14	#N/A N/A	Baa3
XS1691349952	EUR	750	100	1	2.065	FIXED	NORTEGAS ENERGIA DISTRI	ES	28.09.2027	101.11	1.94	BBB-	#N/A N/A
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	100.23	1.69	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.87	1.87	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	103.23	1.95	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.31	3.40	A-	A3
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	97.91	2.58	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	101.07	2.49	(P)BBB	#N/A N/A
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	98.65	4.27	A-	A3
Below Investment Grade New Issues													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.36	2.01	BBB-	Baa3
XS1691349010	USD	500	200	1	5.125	FIXED	TC ZIRAAT BANKASI AS	TR	29.09.2023	100.21	5.08	#N/A N/A	Ba1e
FR0013284643	EUR	500	100	100	4.196	FIXED	ERAMET	FR	28.02.2024	100.15	4.17	#N/A N/A	#N/A N/A
USG25343AA52	USD	500	200	1	5.95	FIXED	COSAN LTD	BR	20.09.2024	102.49	5.52	BB	#N/A N/A
USN6945AAJ62	USD	1000	2	1	5.299	FIXED	PETROBRAS GLOBAL FINANCE	BR	27.01.2025	99.98	5.30	BB-	B1
AT0000A1Y3P7	EUR	500	0.5	0.5	1.375	FIXED	VOESTALPINE AG	AT	27.09.2024	99.70	1.42	#N/A N/A	#N/A N/A
USL5828LAB55	USD	500	200	1	4.875	FIXED	KLABIN FINANCE SA	BR	19.09.2027	99.73	4.91	BB+	#N/A N/A
US836205AW44	USD	1000	200	1	4.85	FIXED	REPUBLIC OF SOUTH AFRICA	ZA	27.09.2027	99.95	4.86	#N/A N/A	Baa3e
FI4000282629	EUR	250	100	1	2.75	FIXED	METSA BOARD OYJ	FI	29.09.2027	101.33	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	101.66	5.28	B	B1
XS1675862012	USD	1250	200	1	6.75	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2029	99.36	6.83	#N/A N/A	#N/A N/A
US836205AX27	USD	1500	200	1	5.65	FIXED	REPUBLIC OF SOUTH AFRICA	ZA	27.09.2047	99.96	5.65	#N/A N/A	Baa3e

*watchlist for downgrade

Bold type : new entries of the day

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