

# MORNING BOND UPDATE

Wednesday, September 27, 2017



	Last	Prev	02.janv
US 2y	1.46	1.44	0.70
US 10y	2.26	2.24	2.20
Germany 2y	-0.71	-0.72	-0.10
Germany 10y	0.43	0.41	0.54
France 2y	-0.51	-0.51	-0.05
France 10y	0.72	0.71	0.81
Swiss 2y	-0.81	-0.81	-0.28
Swiss 10y	-0.04	-0.05	0.32
Australia 2y	1.95	1.94	2.21
Australia 10y	2.79	2.77	2.87

## T Bonds

\*\* U.S. Treasury yields rose on Tuesday as Federal Reserve Chair Janet Yellen stuck to the view that the central bank remains on track for gradual interest rate increases even as inflation remains below its 2 percent goal.

The notion of higher rates caused investors at the two-year Treasury note auction to demand the highest yields in nearly nine years, kicking off this week's \$88 billion short- and medium-dated government debt supply on a soft note.

The rise in U.S. yields was stoked further when U.S. President Donald Trump said he and lawmakers were working to pass a big tax cut for the middle class. Traders had no details, but speculated the plan might raise the federal deficit and increase government borrowing.

Last Wednesday, the policy making Federal Open Market Committee left the door open for another rate increase in December and said it will begin to reduce its \$4.5 trillion balance sheet in October.

Despite "many uncertainties" around how inflation is behaving, it nevertheless "would be imprudent to keep monetary policy on hold until inflation is back to 2 percent," Yellen said in a speech at the National Association for Business Economics' annual conference in Cleveland.

The yield on benchmark 10-year Treasury notes was up almost 2 basis points at 2.239 percent after recording a 4 basis-point fall on Monday, which was the biggest in more than two weeks.

The two-year yield which rises with traders' expectations of higher short-term rates, touched 1.456 percent, the highest since October 2008.

The Treasury Department sold \$26 billion of two-year notes at a yield of 1.462 percent, the highest in nearly nine years.

Bond yields declined on Monday on safe-haven demand due to tensions between North Korea and the United States and surging support for the far right in Sunday's German election.

Overall yields have held in a narrow trading range since falling near 2 percent in earlier September.

## European Union

\*\* Europe's benchmark bond yield steadied on Tuesday after its biggest daily drop in seven weeks as investors waited for a Federal Reserve speech that may flesh out plans to tighten U.S. monetary conditions.

The yield on Germany's 10-year bond, seen as a safe store of cash in times of stress, slid six basis points on Monday after an unexpectedly weak election result for Angela Merkel and after North Korea accused the United States of declaring war.

When European trading began on Tuesday, Germany's yield edged up slightly as analysts said a speech from Fed chair Janet Yellen due at 1645 GMT swept into focus.

Investors will be parsing her words, and those of other Fed officials due to speak on Tuesday, for clues on whether the U.S. central bank will stick to plans to raise interest rates in December.

"Investors are not fully up to speed with the risk of hawkish signals from Fed officials," an analyst said.

"The Fed is back in a situation where it would want to show optimism at the very least, and the market should be pricing in more hikes in the coming months and quarters than it is currently."

According to CME's FedWatch tool, money markets point to a 70 percent chance of a hike in December but only a 20 percent chance of a further hike in March 2018.

Analysts said a rise in oil to a 26-month high, which bolsters inflation, and a sale of two-year German debt also kept upward pressure on yields.

Yet again, the market's reaction to the latest escalation in tension between North Korea and the U.S. proved short-lived.

Yields on U.S. Treasuries and German Bunds fell to a day's low when North Korean Foreign Minister Ri Yong Ho said on Monday Twitter comments from U.S. President Donald Trump amounted to a declaration of war.

Both traded back up on Tuesday in what analysts say reflects a widespread belief that diplomacy will prevail. In late Tuesday trade, German 10-year yields rose around 1.5 basis points to 0.41 percent, off an 11-day low of 0.395 percent hit on Monday. All other euro zone bond yields were also a touch higher.

French President Emmanuel Macron offered a sweeping vision for a renewal of Europe, calling for the EU to cooperate more closely on defence, immigration, tax and social policy, and for the single currency bloc to have its own budget.

The speech had been in focus after Germany's election result was seen weakening steps towards further euro zone integration.

## Other Markets :

\*\* This may be as low as it gets for Indonesia's bond yields.

Benchmark 10-year yields fell to the least since May 2013 this week after the central bank unexpectedly reduced its benchmark rate on Friday for the second time in two months. Increasing geopolitical risks are likely to deter policy makers from cutting again in the near future, said an analyst. Investors should take profits as the easing cycle may be over, according to AllianceBernstein Holding LP.

"It does seem a bit more dicey to ease further from a financial stability standpoint if the carry environment gets replaced with risk aversion," an analyst said. "At current levels, Indonesian government bond yields are likely bottoming out."

Indonesia's 10-year bond yield slid 17 basis points Monday to 6.27 percent, the lowest since May 2013, after the central bank cut its benchmark seven-day reverse repurchase rate to 4.25 percent last week. Only seven of 27 economists predicted the move. The yield was at 6.33 percent on Tuesday.

The nation's sovereign securities have attracted \$11.6 billion of inflows this year, up from \$7.6 billion for the whole of 2016, as the government's economic reforms gained traction and investors sought higher-yielding assets.

This month's decline in 10-year yields has pushed them below India's, meaning they are no longer the highest among Asia's major economies.

Indonesian policy makers may be wary of stoking further volatility by cutting rates again as investors weigh the prospect of a war on the Korean Peninsula, an analyst said. Tensions between North Korea and the U.S. intensified this week after the North's Foreign Minister Ri Yong Ho said recent warnings from U.S. President Donald Trump amounted to a declaration of war. Trump warned Tuesday that he's ready to use "devastating" force if needed.

The rupiah was steady at 13,377 per dollar on Wednesday, after earlier touching the lowest in more than two months.

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 27, 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	100.14	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	99.92	2.53	#N/A N/A	#N/A N/A
XS1687735107	USD	300	200	1	2.28083	FLOATING	HANJIN INTERNATIONAL COR	KR	28.09.2020	100.20	2.21	#N/A N/A	Aa2
<b>USG2178XAA03</b>	<b>USD</b>	<b>1000</b>	<b>200</b>	<b>1</b>	<b>2.25</b>	<b>FIXED</b>	<b>CK HUTCHISON INTL 17 LTD</b>	<b>HK</b>	<b>29.09.2020</b>	<b>99.81</b>	<b>2.32</b>	<b>#N/A N/A</b>	<b>A3e</b>
US09681MAD02	USD	500	200	1	2.75	FIXED	BOC AVIATION LTD	SG	18.09.2022	99.08	2.95	A-	#N/A N/A
US44891CAR43	USD	450	2	1	3.25	FIXED	HYUNDAI CAPITAL AMERICA	US	20.09.2022	100.26	3.19	A-	Baa1
XS1686463305	USD	400	200	1	3.375	FIXED	VOYAGE BONDS LTD	CN	28.09.2022	99.76	3.43	#N/A N/A	#N/A N/A
<b>USG2178XAB85</b>	<b>USD</b>	<b>750</b>	<b>200</b>	<b>1</b>	<b>2.75</b>	<b>FIXED</b>	<b>CK HUTCHISON INTL 17 LTD</b>	<b>HK</b>	<b>29.03.2023</b>	<b>99.89</b>	<b>2.77</b>	<b>#N/A N/A</b>	<b>A3e</b>
XS1688390068	USD	300	200	1	3	FIXED	QBE INSURANCE GROUP LTD	AU	25.05.2023	99.04	3.19	#N/A N/A	#N/A N/A
XS1577950402	USD	500	200	1	4.215	FIXED	COCA-COLA ICECEK AS	TR	19.09.2024	101.57	3.95	#N/A N/A	Baa3
XS1688567251	USD	400	200	1	3.625	FIXED	MIRVAC GROUP FINANCE LTD	AU	18.03.2027	99.10	3.74	BBB+	A3
US09681MAE84	USD	500	200	1	3.5	FIXED	BOC AVIATION LTD	SG	18.09.2027	99.90	3.51	A-	#N/A N/A
<b>USG2178XAC68</b>	<b>USD</b>	<b>500</b>	<b>200</b>	<b>1</b>	<b>3.25</b>	<b>FIXED</b>	<b>CK HUTCHISON INTL 17 LTD</b>	<b>HK</b>	<b>29.09.2027</b>	<b>99.68</b>	<b>3.29</b>	<b>#N/A N/A</b>	<b>A3e</b>
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	99.50	3.93	BBB+	Baa1e
USP6629MAD40	USD	3000	200	1	5.5	FIXED	MEXICO CITY ARPT TRUST	MX	31.07.2047	101.57	5.39	BBB+	Baa1e
XS1692378323	EUR	250	100	1	1.125	FIXED	HOIST KREDIT AB	ES	04.10.2021	99.95	1.14	#N/A N/A	#N/A N/A
XS1691349796	EUR	550	100	1	0.918	FIXED	NORTEGAS ENERGIA DISTRI	ES	28.09.2022	100.43	0.83	BBB-	#N/A N/A
XS1678629186	EUR	200	1	1	0.875	FIXED	GRENKE FINANCE PLC	DE	07.10.2022	100.57	0.76	BBB+	#N/A N/A
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.88	0.81	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	100.24	1.34	BBB+	Baa1
XS1689523840	EUR	600	100	1	1.125	FIXED	BRENNTAG FINANCE BV	DE	27.09.2025	99.71	1.16	#N/A N/A	Baa3
XS1691349952	EUR	750	100	1	2.065	FIXED	NORTEGAS ENERGIA DISTRI	ES	28.09.2027	100.91	1.96	BBB-	#N/A N/A
XS1681521081	EUR	1250	100	100	1.715	FIXED	TELEFONICA EMISIONES SAU	ES	12.01.2028	100.05	1.71	BBB	Baa3
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.77	1.88	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	103.17	1.96	BBB+	Baa2
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.28	3.41	A-	A3
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	97.92	2.58	BBB	Baa3
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	101.08	2.49	(P)BBB	#N/A N/A
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	98.47	4.29	A-	A3
<b>Below Investment Grade New Issues</b>													
US25470DAN93	USD	500	2	1	2.2	FIXED	DISCOVERY COMMUNICATIONS	US	20.09.2019	100.31	2.04	BBB-	Baa3
XS1691349010	USD	500	200	1	5.125	FIXED	TC ZIRAAT BANKASI AS	TR	29.09.2023	100.53	5.02	#N/A N/A	Ba1
FR0013284643	EUR	500	100	100	4.196	FIXED	ERAMET	FR	28.02.2024	100.10	4.18	#N/A N/A	#N/A N/A
USG25343AA52	USD	500	200	1	5.95	FIXED	COSAN LTD	BR	20.09.2024	102.46	5.52	BB	#N/A N/A
USN6945AAJ62	USD	1000	2	1	5.299	FIXED	PETROBRAS GLOBAL FINANCE	BR	27.01.2025	99.79	5.34	BB-	B1
AT0000A1Y3P7	EUR	500	0.5	0.5	1.375	FIXED	VOESTALPINE AG	AT	27.09.2024	99.60	1.44	#N/A N/A	#N/A N/A
USL5828LAB55	USD	500	200	1	4.875	FIXED	KLABIN FINANCE SA	BR	19.09.2027	99.71	4.91	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	101.39	2.59	#N/A N/A	#N/A N/A
USG98149AD29	USD	750	200	1	5.5	FIXED	WYNN MACAU LTD	MO	01.10.2027	101.65	5.29	B+	B1
XS1675862012	USD	1250	200	1	6.75	FIXED	KINGDOM OF BAHRAIN	BH	20.09.2029	99.67	6.79	#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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