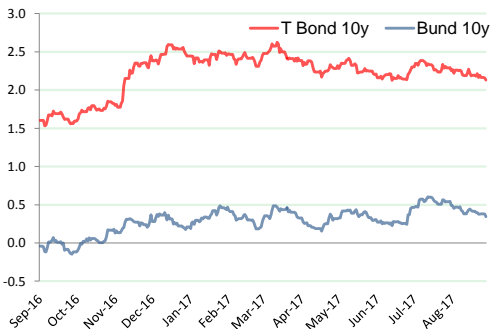
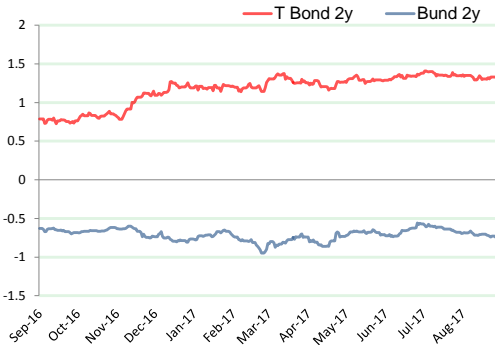


MORNING BOND UPDATE

Wednesday, August 30, 2017



	Last	Prev	02.janv
US 2y	1.33	1.32	0.70
US 10y	2.15	2.13	2.20
Germany 2y	-0.71	-0.72	-0.10
Germany 10y	0.36	0.34	0.54
France 2y	-0.51	-0.51	-0.05
France 10y	0.67	0.66	0.81
Swiss 2y	-0.79	-0.81	-0.28
Swiss 10y	-0.14	-0.14	0.32
Australia 2y	1.88	1.84	2.21
Australia 10y	2.68	2.63	2.87

T Bonds

** **U.S. benchmark 10-year Treasury** note yields fell on Tuesday to their lowest since last November after North Korea fired a ballistic missile over northern Japan and into the sea, sparking safety buying of the bonds. The action prompted a warning from U.S. President Donald Trump, calls to residents to take cover and drew a sharp reaction from Japanese Prime Minister Shinzo Abe.

"That has the market spooked, and that's what's behind the move lower in rates today," said an analyst. Ten-year Treasury yields dropped as low as 2.086 percent, the lowest since Nov. 10, 2016 - two days after Trump won the U.S. presidential election - before rising back to 2.14 percent. The yield curve between two- and 10-year Treasuries flattened as far as 77 basis points, from 83 basis points late on Monday and the narrowest level since June 27.

Some reluctance to buy bonds at their lowest yields of the year was seen as capping the rally. "The question becomes how heavily positioned in Treasuries do you want to be when yields are at year-to-date lows," said an analyst. "I think that's making it a little bit difficult to be positioned extremely."

The Treasury Department saw strong demand for its \$28 billion sale of U.S. seven-year notes, despite the debt paying the lowest yields since October.

Indirect bidders, which include fund managers and foreign central banks, purchased 68.80 percent of the latest seven-year note offering, their biggest share since the record high 81.69 percent in April.

Market participants are also focused on a busy week of data this week, culminating in Friday's closely-watched U.S. employment report for August.

August payrolls numbers have missed expectations for the past six consecutive years, and for 13 out of the last 17 years, which could lead to a modest rally in Treasuries if it occurs again, said an analyst.

Buying for month-end extensions may also boost bonds through Thursday, with potentially further strength on Friday as the extension is larger than average.

"The month-end index extension is pretty large. Most of that will probably happen on the 31st, but still you could have some knock-on effects on the first," an analyst said.

Investors are also evaluating whether Tropical Storm Harvey is likely to have a lasting impact on the U.S. economy, after bringing catastrophic flooding to Texas.

European Union

** **Germany's** borrowing costs hit their lowest level in months on Tuesday as investors rushed to buy up one of the safest securities in the world after North Korea fired a ballistic missile over Japan.

North Korea's ballistic missile test early on Tuesday prompted warnings for residents to take cover while provoking a sharp reaction from Japanese Prime Minister Shinzo Abe and other leaders.

"We are seeing a classic risk-off pattern after Pyongyang fired the ballistic missile," said an analyst, pointing to U.S. Treasuries, German Bunds and gold as examples of safe-haven assets that were in demand on Tuesday.

The yield on Germany's 10-year government bond fell 3 basis points to 0.34 percent, its lowest since June 28.

U.S. equivalents dropped to their lowest since last November at 2.086 percent, while Japan's fell to zero percent for the first time since April.

The yield on short-dated German "Schatz" bonds, sank further into negative territory, hitting its lowest level in over four months at minus 0.76 percent.

However, this had the effect of making an auction of two-year bonds less attractive, and the German debt agency fell short of its target of selling 5 billion euros of new bonds.

The German Finance Agency, the federal government's debt management office, sold 4.03 billion euros of its new 0.00 percent Schatz notes at an average yield of minus 0.74 percent, the Bundesbank said on Tuesday.

In keeping with the jittery mood, riskier assets underperformed on Tuesday.

The gap between lower-rated Southern European government bond yields and their better-rated counterparts increased, and **Italy's** 10-year bond yield spread over Germany widened 6 basis points to 177.5 bps, the widest since mid-July.

"In times of higher political tensions, there is more demand for Bunds than for peripheral bonds," said an analyst.

A stronger euro also put downward pressure on euro zone government bond yields.

The single currency hit \$1.20 for the first time since January 2015 on Tuesday, adding to an expectation that reduced import prices may keep inflation low and delay the European Central Bank's withdrawal of stimulus.

"Euro strength is putting resilient inflation expectations to the test and likely signs for slipping HICP core inflation over the coming days should further weigh on break-evens," Commerzbank analysts said in a note.

A gauge of long-term inflation expectations in the euro zone, the five-year forward rate, has been trading at around 1.59 percent, well below the ECB's target for less than 2 percent.

Other Markets :

** **Japanese** government bond yields pulled back from four-month lows on Wednesday as risk aversion that stemmed from the latest bout of tensions over the Korean Peninsula has eased for a while.

The benchmark 10-year JGB yield was 0.5 basis point higher at 0.005 percent after touching zero percent on Tuesday, its lowest since April.

The five-year yield was 1 basis point higher at minus 0.135 percent following a descent to a 3-1/2-month trough of minus 0.145 percent on Tuesday.

JGB yields declined on Tuesday after North Korea launched a ballistic missile over Japan and fuelled investor demand for safe-haven debt.

The rise in JGB yields on Wednesday was limited after the Bank of Japan conducted a regular debt-buying operation, purchasing 710 billion yen (\$6.47 billion) of five- to 40-year JGBs.

DAILY BOND LIST

Wednesday, August 30, 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>													
USU05526AE50	USD	2250	2	1	2.297	FIXED	BAT CAPITAL CORP	GB	14.08.2020	100.44	2.14	BBB+	Baa2
USU05526AF26	USD	1000	2	1	1.905	FLOATING	BAT CAPITAL CORP	GB	14.08.2020	100.21	1.84	BBB+	Baa2
XS1645684587	USD	500	200	1	2.75	FIXED	CHINA GRT WALL INTL III	HK	31.08.2020	99.94	2.77	#N/A N/A	Baa1
USU05526AG09	USD	2250	2	1	2.764	FIXED	BAT CAPITAL CORP	GB	15.08.2022	100.64	2.63	BBB+	Baa2
USU05526AH81	USD	750	2	1	2.195	FLOATING	BAT CAPITAL CORP	GB	15.08.2022	100.19	2.16	BBB+	Baa2
US579780AL12	USD	750	2	1	2.7	FIXED	MCCORMICK & CO	US	15.08.2022	101.01	2.48	BBB	Baa2
USY3815NAY77	USD	600	200	1	3	FIXED	HYUNDAI CAPITAL SERVICES	KR	29.08.2022	100.09	2.98	A-	Baa1
XS1645684660	USD	1000	200	1	3.125	FIXED	CHINA GRT WALL INTL III	HK	31.08.2022	99.96	3.13	#N/A N/A	Baa1
US579780AM94	USD	700	2	1	3.15	FIXED	MCCORMICK & CO	US	15.08.2024	101.60	2.89	BBB	Baa2
USU05526AJ48	USD	2500	2	1	3.222	FIXED	BAT CAPITAL CORP	GB	15.08.2024	101.09	3.05	BBB+	Baa2
US579780AN77	USD	750	2	1	3.4	FIXED	MCCORMICK & CO	US	15.08.2027	101.62	3.21	BBB	Baa2
USU05526AK11	USD	3500	2	1	3.557	FIXED	BAT CAPITAL CORP	GB	15.08.2027	101.50	3.38	BBB+	Baa2
USY3815NAZ43	USD	300	200	1	3.625	FIXED	HYUNDAI CAPITAL SERVICES	KR	29.08.2027	100.49	3.57	A-	Baa1
XS1645684827	USD	500	200	1	3.875	FIXED	CHINA GRT WALL INTL III	HK	31.08.2027	99.33	3.96	#N/A N/A	Baa1
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.47	4.02	BBB	Baa3
XS1623981641	EUR	400	100	1	1.35	FIXED	SHOUGANG GROUP	CN	07.08.2020	100.71	1.10	#N/A N/A	#N/A N/A
XS1664643746	EUR	1100	100	1	0.171	FLOATING	BAT CAPITAL CORP	GB	16.08.2021	100.41	0.07	BBB+	Baa2
XS1664644710	EUR	750	100	1	1.125	FIXED	BAT CAPITAL CORP	GB	16.11.2023	101.88	0.81	BBB+	Baa2
XS1647481206	EUR	1000	100	1	2.15	FIXED	REPUBLIC OF INDONESIA	ID	18.07.2024	102.49	1.76	#N/A N/A	Baa3
XS1673102734	EUR	600	100	1	1.5	FIXED	ISS GLOBAL A/S	DK	31.08.2027	99.70	1.53	#N/A N/A	Baa2
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.74	1.88	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	99.61	1.79	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	103.30	1.95	BBB+	Baa2
XS1651072099	EUR	700	100	1	2.875	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2037	102.18	2.73	BBB	Baa2
XS1640493299	GBP	300	100	1	1.7	FIXED	FIDELITY NATIONAL INFORM	US	30.06.2022	101.52	1.37	BBB	Baa2
AU3FN0037891	AUD	300	10	10	2.6922414	FLOATING	FBG FINANCE PTY LTD	BE	06.09.2022	100.24	3.24	#N/A N/A	A3e
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.99	3.25	#N/A N/A	A3e
XS1642733932	GBP	250	100	1	2.5	FIXED	GO-AHEAD GROUP PLC	GB	06.07.2024	101.51	2.26	BBB-	Baa3
AU3CB0246668	AUD	650	10	10	3.75	FIXED	FBG FINANCE PTY LTD	BE	06.09.2024	100.19	3.72	#N/A N/A	A3e
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	103.29	2.19	(P)BBB	#N/A N/A
XS1664647499	GBP	450	100	1	2.125	FIXED	BAT CAPITAL CORP	GB	15.08.2025	101.00	1.99	BBB+	Baa2
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	99.64	4.14	#N/A N/A	A3e
XS1652512705	GBP	250	100	1	2.875	FIXED	DS SMITH PLC	GB	26.07.2029	101.55	2.72	BBB-	#N/A N/A
Below Investment Grade New Issues													
DE000A19FW97	EUR	200	100	1	5.625	FIXED	SCHMOLZ+BICKEN LX FIN SA	LU	15.07.2022	107.08	4.01	B+	B2
USN3700LAC92	USD	350	200	1	4.875	FIXED	GREENKO DUTCH BV	IN	24.07.2022	100.66	4.72	#N/A N/A	Ba2
XS1637076164	USD	700	200	1	4.75	FIXED	COUNTRY GARDEN HLDGS	CN	25.07.2022	101.51	4.40	#N/A N/A	Ba1
CH0370943570	CHF	75	5	5	3.625	FIXED	HELVETIA ENVIRON GROUP	CH	26.07.2022	104.73	2.59	#N/A N/A	#N/A N/A
XS1577956516	GBP	370	100	1	5	FIXED	MCLAREN FINANCE PLC	GB	01.08.2022	100.60	4.86	(P)B	(P)B2
USL0427PAA41	USD	400	2	1	6.125	FIXED	ATENTO LUXCO 1 SA	ES	10.08.2022	103.05	5.41	#N/A N/A	Ba3
USG65309AA76	USD	250	200	1	5.75	FIXED	MCLAREN FINANCE PLC	GB	01.08.2022	103.16	5.01	(P)B	(P)B2
USN3700LAB10	USD	650	200	1	5.25	FIXED	GREENKO DUTCH BV	IN	24.07.2024	100.73	5.12	#N/A N/A	Ba2
XS1651444140	EUR	650	100	1	2.125	FIXED	EUROFINS SCIENTIFIC SE	LU	25.07.2024	101.92	1.83	#N/A N/A	#N/A N/A
USG9328DAP53	USD	1000	200	1	6.125	FIXED	VEDANTA RESOURCES PLC	IN	09.08.2024	100.76	5.99	B+	B3
USC4949AAE04	USD	500	2	1	4.5	FIXED	KINROSS GOLD CORP	CA	15.07.2027	100.30	4.46	BB+	Ba1

Expected New Issues

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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