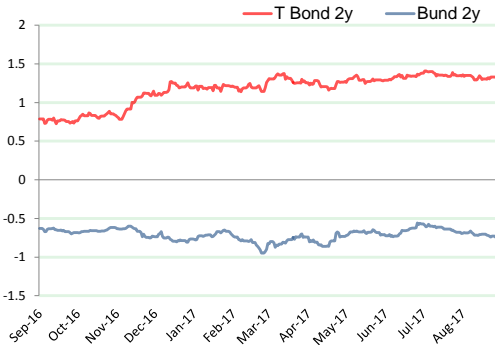


MORNING BOND UPDATE

Thursday, August 31, 2017



	Last	Prev	02.janv
US 2y	1.33	1.33	0.70
US 10y	2.15	2.13	2.20
Germany 2y	-0.72	-0.72	-0.10
Germany 10y	0.37	0.36	0.54
France 2y	-0.51	-0.52	-0.05
France 10y	0.68	0.67	0.81
Swiss 2y	-0.80	-0.81	-0.28
Swiss 10y	-0.13	-0.14	0.32
Australia 2y	1.89	1.88	2.21
Australia 10y	2.71	2.68	2.87

T Bonds

** **U.S. Treasury** yields held near nine-month lows on Wednesday as concerns about rising tensions with North Korea kept a bid for the bonds, and offset data that showed solid economic momentum.

President Donald Trump on Wednesday said "talking is not the answer" to the tense standoff with North Korea over its nuclear missile development, but his defense chief swiftly asserted that the United States still has diplomatic options.

The comment comes a day after Pyongyang fired a ballistic missile over Japan, which sent benchmark 10-year Treasury yields as low as 2.086 percent on Tuesday, the lowest since Nov. 10.

The 10-year notes were last down 3/32 in price to yield 2.145 percent, up from 2.136 percent on Tuesday.

Concerns about geopolitical tensions and demand for bonds to balance portfolios for month-end extension is expected to support bond prices this week.

Investors are also nervous about the prospect of a government shutdown, and potential debt default, if lawmakers don't raise the nation's debt ceiling by the end of September.

Trump will address tax reform on Wednesday in a speech expected to tout tax cuts as a way to help workers and the middle class.

Expectations that the Trump administration will overhaul taxes, potentially boosting growth, have faltered in recent months as lawmakers have been unable to pass healthcare and other legislation.

Data on Wednesday showed economic strength and kept alive the possibility that the Federal Reserve will raise interest rates again at its December meeting.

Gross domestic product increased at a 3.0 percent annual rate in the April-June period, the strongest since the first quarter of 2015.

U.S. private employers also added 237,000 jobs in August, the biggest monthly increase in five months, beating economists' expectations.

Personal income figures on Thursday and Friday's employment report for August are the next major U.S. economic releases.

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

** **Euro zone** government bond yields rose on Wednesday following forecast-beating inflation numbers from Spain and Germany, defying the euro's recent strength.

Analysts said attention switched to the bloc's economic health as the initial shock about North Korea's firing a missile over Japan abated.

Gains of nearly 14 percent for the euro against the dollar this year should have held down prices in the bloc as imports become cheaper.

But data on Wednesday showed **Spanish** inflation rose 2 percent year-on-year in August, beating economists' forecasts of 1.8 percent and last month's reading of 1.7 percent.

German consumer prices, harmonised to compare with other European countries, rose by 1.8 percent on the year after an inflation rate of 1.5 percent in the previous month. This was the strongest rate since April and followed strong regional data earlier in the day.

Data on Thursday is expected to show euro zone inflation at 1.4 percent in August, up from 1.3 percent previously. That is still well below the European Central Bank's near 2 percent target, but the upward trend will be some comfort for policymakers looking to rein in their monetary stimulus.

On top of that, euro zone economic sentiment hit a new 10-year high on Wednesday, rising for a fourth consecutive month in August.

German 10-year bond yields rose around 3 basis points to 0.37 percent, climbing off a two-month low of 0.34 percent hit Tuesday. It was set for its biggest daily rise in over two weeks.

Most other euro zone yields were 1-2 bps higher on the day, reversing some of Tuesday's slide. Yields rise as prices fall.

A key market measure of long-term euro zone inflation - the five-year, five-year breakeven forward rate - rose to 1.60 percent, its highest level in almost two weeks.

Analysts said a measured response from the United States to North Korea's ballistic missile test early on Tuesday had also helped ease a rush into bonds, which are seen by investors as a safer store of cash than equities in times of crisis.

Debt sales by **Finland** and Italy and an exchange from **Portugal** were also seen adding upward pressure to yields on Wednesday as investors sold their outstanding bonds to make room for the new supply.

Other Markets :

** **South Korea's** central bank kept its key interest rate unchanged at a record low on Thursday, as expected, saying there was still "a considerable amount of uncertainty" despite affirming its confidence in an economic recovery.

Governor Lee Ju-yeol declined at a news conference after the decision was announced to give any guidance on the near-term direction of monetary policy, but his references to South Korea's heavy household debt suggested the central bank was leaning towards tightening.

The September contract on 3-year treasury bond futures dropped by 6 ticks to 109.23 at 0332 GMT from 109.29 just before Lee's news conference started. The won and stocks showed a muted reaction.

Lee said the Bank of Korea's (BOK) seven-member monetary policy committee voted unanimously to keep the base rate unchanged at a record-low 1.25 percent, where it has been since June last year.

Lee held back from making new comments on the household debt problem but he did acknowledge its scale.

South Korea's household debt stands at more than 90 percent of gross domestic product and poses a potentially serious risk to the economy.

He said the central bank needed more time to assess its policy stance and to study the effects of a series of economic and financial policy packages introduced by the new government in the past few weeks.

Heightened tensions over North Korea's repeated missile firings are another big factor that could hurt the economy, Lee said, but added it would be premature to quantify their impact.

The BOK has kept its policy rate unchanged since June 2016 and is widely expected to hike rates sometime next year as the economy improves.

There are, however, lingering doubts that the recovery is unquestionably rock-solid, and policymakers have expressed concerns that economic gains may be too narrowly focused in some sectors and not as broadly based as they would like.

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

Thursday, August 31, 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	100.48	2.13	BBB+	Baa2
USU05526AF26	USD	1000	2	1	1.905	FLOATING	BAT CAPITAL CORP	GB	14.08.2020	100.13	1.86	BBB+	Baa2
XS1645684587	USD	500	200	1	2.75	FIXED	CHINA GRT WALL INTL III	HK	31.08.2020	99.93	2.77	#N/A N/A	Baa1
USU05526AG09	USD	2250	2	1	2.764	FIXED	BAT CAPITAL CORP	GB	15.08.2022	100.72	2.61	BBB+	Baa2
USU05526AH81	USD	750	2	1	2.195	FLOATING	BAT CAPITAL CORP	GB	15.08.2022	100.09	2.18	BBB+	Baa2
US579780AL12	USD	750	2	1	2.7	FIXED	MCCORMICK & CO	US	15.08.2022	101.00	2.48	BBB	Baa2
USY3815NAY77	USD	600	200	1	3	FIXED	HYUNDAI CAPITAL SERVICES	KR	29.08.2022	100.04	2.99	A-	Baa1
XS1645684660	USD	1000	200	1	3.125	FIXED	CHINA GRT WALL INTL III	HK	31.08.2022	99.86	3.15	#N/A N/A	Baa1
US579780AM94	USD	700	2	1	3.15	FIXED	MCCORMICK & CO	US	15.08.2024	101.82	2.86	BBB	Baa2
USU05526AJ48	USD	2500	2	1	3.222	FIXED	BAT CAPITAL CORP	GB	15.08.2024	101.17	3.03	BBB+	Baa2
US579780AN77	USD	750	2	1	3.4	FIXED	MCCORMICK & CO	US	15.08.2027	101.57	3.21	BBB	Baa2
USU05526AK11	USD	3500	2	1	3.557	FIXED	BAT CAPITAL CORP	GB	15.08.2027	101.56	3.37	BBB+	Baa2
USY3815NAZ43	USD	300	200	1	3.625	FIXED	HYUNDAI CAPITAL SERVICES	KR	29.08.2027	100.44	3.57	A-	Baa1
XS1645684827	USD	500	200	1	3.875	FIXED	CHINA GRT WALL INTL III	HK	31.08.2027	99.23	3.97	#N/A N/A	Baa1
US37045VAN01	USD	750	2	1	4.2	FIXED	GENERAL MOTORS CO	US	01.10.2027	101.58	4.01	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	101.80	0.83	BBB+	Baa2
XS1647481206	EUR	1000	100	1	2.15	FIXED	REPUBLIC OF INDONESIA	ID	18.07.2024	102.62	1.74	#N/A N/A	Baa3
XS1673102734	EUR	600	100	1	1.5	FIXED	ISS GLOBAL A/S	DK	31.08.2027	99.71	1.53	BBB	Baa2
XS1651071950	EUR	700	100	1	1.95	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2029	100.46	1.91	BBB	Baa2
XS1672151492	EUR	750	100	1	1.75	FIXED	HOLCIM FINANCE LUX SA	CH	29.08.2029	99.41	1.80	BBB	Baa2
XS1664644983	EUR	1250	100	1	2.25	FIXED	BAT INTL FINANCE PLC	GB	16.01.2030	103.00	1.97	BBB+	Baa2
XS1651072099	EUR	700	100	1	2.875	FIXED	THERMO FISHER SCIENTIFIC	US	24.07.2037	101.65	2.77	BBB	Baa2
AU3FN0037891	AUD	300	10	10	2.6946875	FLOATING	FBG FINANCE PTY LTD	BE	06.09.2022	100.24	3.26	#N/A N/A	A3e
AU3CB0246650	AUD	550	10	10	3.25	FIXED	FBG FINANCE PTY LTD	BE	06.09.2022	99.95	3.26	#N/A N/A	A3e
XS1665510134	AUD	300	2	1	3.604	FIXED	SUMITOMO MITSUI FINL GRP	JP	07.03.2023	100.22	3.56	#N/A N/A	A1e
XS1665510308	AUD	450	2	1	2.925625	FLOATING	SUMITOMO MITSUI FINL GRP	JP	07.03.2023	100.15	2.90	#N/A N/A	A1e
AU3CB0246668	AUD	650	10	10	3.75	FIXED	FBG FINANCE PTY LTD	BE	06.09.2024	100.04	3.74	#N/A N/A	A3e
XS1674925505	GBP	350	100	1	2.25	FIXED	GENERAL MOTORS FINL CO	US	06.09.2024	100.05	2.24	#N/A N/A	Baa3e
XS1645518496	GBP	625	100	1	2.646	FIXED	ANNINGTON FUNDING PLC	GB	12.07.2025	103.13	2.21	(P)BBB	#N/A N/A
XS1664647499	GBP	450	100	1	2.125	FIXED	BAT CAPITAL CORP	GB	15.08.2025	100.83	2.01	BBB+	Baa2
AU3CB0246676	AUD	450	10	10	4.1	FIXED	FBG FINANCE PTY LTD	BE	06.09.2027	99.42	4.17	#N/A N/A	A3e
Below Investment Grade New Issues													
DE000A19FW97	EUR	200	100	1	5.625	FIXED	SCHMOLZ+BICKEN LX FIN SA	LU	15.07.2022	107.05	4.01	B+	B2
USN3700LAC92	USD	350	200	1	4.875	FIXED	GREENKO DUTCH BV	IN	24.07.2022	100.67	4.72	#N/A N/A	Ba2
XS1637076164	USD	700	200	1	4.75	FIXED	COUNTRY GARDEN HLDGS	CN	25.07.2022	101.63	4.38	#N/A N/A	Ba1
CH0370943570	CHF	75	5	5	3.625	FIXED	HELVETIA ENVIRON GROUP	CH	26.07.2022	104.84	2.56	#N/A N/A	#N/A N/A
XS1577956516	GBP	370	100	1	5	FIXED	MCLAREN FINANCE PLC	GB	01.08.2022	100.61	4.86	(P)B	(P)B2
USL0427PAA41	USD	400	2	1	6.125	FIXED	ATENTO LUXCO 1 SA	ES	10.08.2022	103.25	5.36	#N/A N/A	Ba3
USG65309AA76	USD	250	200	1	5.75	FIXED	MCLAREN FINANCE PLC	GB	01.08.2022	103.07	5.03	(P)B	(P)B2
USN3700LAB10	USD	650	200	1	5.25	FIXED	GREENKO DUTCH BV	IN	24.07.2024	100.82	5.11	#N/A N/A	Ba2
XS1651444140	EUR	650	100	1	2.125	FIXED	EUROFINS SCIENTIFIC SE	LU	25.07.2024	101.83	1.84	#N/A N/A	#N/A N/A
USG9328DAP53	USD	1000	200	1	6.125	FIXED	VEDANTA RESOURCES PLC	IN	09.08.2024	101.37	5.88	B+	B3
USC4949AAE04	USD	500	2	1	4.5	FIXED	KINROSS GOLD CORP	CA	15.07.2027	100.51	4.44	BB+	Ba1

Expected New Issues

Bold type : new entries of the day

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