

Sep 6, 2017

Credit Headlines (Page 2 onwards): Julius Baer Group Ltd

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in WINGTA 4.08%-PERPs, OUECT 3.03%'20s, BAERVX 5.75%-PERPs, SIASP 3.13%'27s, OLAM 5.5%-PERPs, better selling seen in SMMSP 3.85%'29s. In the broader dollar space, the spread on JACI IG Corp traded little changed at 190bps, while the yield on JACI HY Corp rose 1bps to 6.81%. 10Y UST yields fell 11bps to 2.06%, as investors switched to safe haven assets in light of heightened North Korea tensions and the impending Hurricane Irma.

New Issues: Keong Hong Holdings Ltd has priced a SGD85mn 4-year bond at 5.75%, unchanged from guidance of 5.75%. China Minsheng Banking Corp Ltd, Hong Kong Branch has priced a two-tranche deal, with the USD450mn 3-year bond priced at 3mL+90bps, tightening from initial guidance of 3mL+115bps area; and the USD350mn 5-year bond priced at 3mL+100bps, tightening from initial guidance of 3mL+125bps. The expected issue ratings are 'BBB/NR/NR'. Komatsu Finance America Inc has priced a two-tranche deal (guaranteed by Komatsu Ltd), with the USD300mn 3-year bond priced at CT3+70bps, tightening from initial guidance of CT3+85bps; and the USD500mn 5-year bond priced at CT5+75bps, tightening from initial guidance of CT5+95bps. The expected issue ratings are 'NR/A2/NR'. Mizuho Financial Group Inc has priced a three tranche deal, with the USD1bn 5-year fixed rate bond priced at CT5+95bps, tightening from initial guidance of CT5+112.2bps; the USD1.15bn 5-year floating rate bond priced at 3mL+88bps, with the initial guidance at LIBOR equivalent; and the USD1.1bn 10-year fixed rate bond priced at CT10+110bps, tightening from initial guidance of CT10+130bps. Julius Baer Group Ltd has priced a USD300mn Perp NC7 AT1 at 4.75%, tightening from initial guidance of 5.5% area. The expected issue ratings are 'NR/Baa3/NR'. Goodman Group has scheduled investor meetings for a potential multi-tranche USD bond issuance from 11 Sep. The Asian Development Bank may price a 5-year bond tomorrow. The initial price target is CT5+14bps area. The expected issue ratings are 'AAA/Aaa/AAA'.

Table 1: Key Financial Indicators

	6-Sep	1W chg (bps)	1M chg (bps)		6-Sep	1W chg	1M chg
iTraxx Asiax IG	78	1	-1	Brent Crude Spot (\$/bbl)	53.15	4.50%	1.39%
iTraxx Sovx APAC	19	1	0	Gold Spot (\$/oz)	1,339.08	2.33%	6.46%
iTraxx Japan	44	1	3	CRB	182.34	2.43%	0.92%
iTraxx Australia	70	-2	-5	GSCI	389.97	3.31%	1.42%
CDX NA IG	59	0	1	VIX	12.23	8.04%	21.93%
CDX NA HY	107	0	0	CT10 (bp)	2.068%	-6.27	-19.38
iTraxx Eur Main	55	-2	2	USD Swap Spread 10Y (bp)	-5	1	-1
iTraxx Eur XO	237	-7	5	USD Swap Spread 30Y (bp)	-35	1	-2
iTraxx Eur Snr Fin	52	-3	0	TED Spread (bp)	30	1	6
iTraxx Sovx WE	5	-1	0	US Libor-OIS Spread (bp)	16	0	1
iTraxx Sovx CEEMEA	41	-2	0	Euro Libor-OIS Spread (bp)	3	0	0
					6-Sep	1W chg	1M chg
				AUD/USD	0.800	1.15%	1.06%
				USD/CHF	0.955	0.90%	1.88%
				EUR/USD	1.191	0.23%	0.98%
				USD/SGD	1.353	0.39%	0.72%
Korea 5Y CDS	68	7	11	DJIA	21,753	-0.25%	-1.54%
China 5Y CDS	59	2	-4	SPX	2,458	0.56%	-0.77%
Malaysia 5Y CDS	71	-1	-8	MSCI Asiax	660	-0.56%	0.43%
Philippines 5Y CDS	62	0	-7	HSI	27,492	-2.14%	-0.26%
Indonesia 5Y CDS	102	0	-7	STI	3,242	-0.23%	-2.54%
Thailand 5Y CDS	55	0	-4	KLCI	1,771	0.09%	-0.19%
				JCI	5,820	-1.15%	0.74%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
5-Sep-17	Keong Hong Holdings Ltd	Not Rated	SGD85mn	4-year	5.75%
5-Sep-17	China Minsheng Banking Corp Ltd	'BBB/NR/NR'	USD450mn	3-year	3mL+90bps
5-Sep-17	China Minsheng Banking Corp Ltd	'BBB/NR/NR'	USD350mn	5-year	3mL+100bps
5-Sep-17	Komatsu Finance America Inc	'NR/A2/NR'	USD300mn	3-year	CT3+70bps
5-Sep-17	Komatsu Finance America Inc	'NR/A2/NR'	USD500mn	5-year	CT5+75bps
5-Sep-17	Mizuho Financial Group Inc	Not Rated	USD1bn	5-year	CT5+95bps
5-Sep-17	Mizuho Financial Group Inc	Not Rated	USD1.15bn	5-year	3mL+88bps
5-Sep-17	Mizuho Financial Group Inc	Not Rated	USD1.1bn	10-year	CT10+110bps
5-Sep-17	Julius Baer Group Ltd	'NR/Baa3/NR'	USD300mn	Perp NC7	4.75%

Source: OCBC, Bloomberg

Rating Changes: Moody's has upgraded Honghua Group Limited's (Honghua) corporate family rating to 'B3' from 'Caa1' and senior unsecured debt rating to 'Caa1' from 'Caa2'. The outlook remains negative. The rating action reflects the consideration that Honghua's probability of default and refinancing risk will significantly decline in the next 12-18 months as its new and largest shareholder, China Aerospace Science and Industry Corporation, will provide management oversight and facilitate the company's access to funding.

Credit Headlines:

Julius Baer Group Ltd (JBG): JBG's new USD300mn Additional Tier 1 issue has a reset margin at the initial spread of 2.844%. Swapping this into SGD cashflows gives an implied yield to call of 4.40% and a spread of 245bps over current 7 year swaps. With the BAERVX 5.9% Perp c20 and BAERVX 5.75% Perp c22 trading at spreads of 243bps and 271bps respectively, we think the SGD papers offer better value. That said, the absolute yield is attractive and we expect yields to tighten given JBG's solid 1H2017 results (refer [OCBC Asian Credit Daily - 25 Jul 2017](#)). (Company, OCBC)

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