

Sept 12, 2018

## Credit Headlines: BreadTalk Group Limited

### Market Commentary

- The SGD swap curve steepened yesterday, with swap rates trading around 1bps higher across most tenors (with the exception of the 7-year and 20-year swap rates trading 2bps higher).
- Flows in SGD corporates were heavy yesterday, with better buying seen in CMZB 4.2%'28s, OCBCSP 4.0%-PERPs and DBSSP 3.98%-PERPs and better selling seen in CMZB 4.875%'27s and MFCCN 3.85%'26s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 141bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 492bps.
- Overall, 10Y UST yields rose 4bps to close at 2.98% on the back of supply pressure from USD144bn of new supply this week as well as the record number of job openings in July reported which suggested labour market confidence.

### Credit Headlines:

#### **BreadTalk Group Limited (“BGL”) | Issuer Profile: Neutral (5)**

- Earlier in March 2018, BGL had announced a joint venture agreement with [Wu Pao Chun \(“WPC”\)](#) to operate the Wu Pao Chun brand of bakeries in Beijing, Shanghai, Shenzhen and Guangzhou. A Shanghai flagship outlet is targeted to open in November 2018.
- BGL announced that via a wholly-owned subsidiary, it has entered into another joint venture agreement with WPC to operate the Wu Pao Chun brand of bakeries in Singapore and Hong Kong.
- BGL will hold an 80%-stake in the joint venture while WPC will hold the remaining 20%. The first Wu Pao Chun bakery under this joint venture agreement is expected to open in Capitol Piazza in 2019. Wu Pao Chun is an artisanal bakery concept serving the high-end segment where the price point is likely to be significantly higher and we do not expect this to cannibalise BGL's current Breadtalk brand bakery business. The joint venture is in line with BGL's expansion strategy. (Company, OCBC)

**Table 1: Key Financial Indicators**

	12-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	80	-5	-4
iTraxx SovX APAC	13	0	2
iTraxx Japan	53	-1	-5
iTraxx Australia	72	-3	-5
CDX NA IG	58	-2	-4
CDX NA HY	107	0	0
iTraxx Eur Main	61	-4	-9
iTraxx Eur XO	280	-11	-28
iTraxx Eur Snr Fin	70	-10	-19
iTraxx Sovx WE	25	-2	-4
AUD/USD	0.710	-1.25%	-2.30%
EUR/USD	1.159	-0.31%	1.61%
USD/SGD	1.376	-0.05%	-0.05%
China 5Y CDS	58	-4	-6
Malaysia 5Y CDS	103	1	13
Indonesia 5Y CDS	143	-2	18
Thailand 5Y CDS	42	-1	-2

	12-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	79.28	2.60%	8.89%
Gold Spot (\$/oz)	1,198.20	0.12%	0.39%
CRB	191.67	-0.24%	-0.01%
GSCI	467.28	-0.18%	1.99%
VIX	13.22	0.46%	0.46%
CT10 (bp)	2.970%	6.78	9.68
USD Swap Spread 10Y (bp)	6	-1	0
USD Swap Spread 30Y (bp)	-7	0	1
TED Spread (bp)	20	-3	-8
US Libor-OIS Spread (bp)	20	0	-8
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,971	0.07%	2.60%
SPX	2,888	-0.30%	1.93%
MSCI Asiax	631	-2.54%	-5.49%
HSI	26,423	-5.54%	-6.85%
STI	3,110	-3.13%	-5.32%
KLCI	1,799	-0.79%	-0.36%
JCI	5,831	-2.29%	-4.05%

## New issues

- Bank of China (Hong Kong) Ltd (wholly owned by BOC Hong Kong (Holdings) Ltd) has priced a USD3bn PerpNC5 AT1 at 5.90%, tightening from its initial price guidance of 6.3%.
- China Southern Power Grid International Finance BVI Co Ltd has priced a USD1bn deal across two tranches (guaranteed by China Southern Power Grid Co Ltd), with the USD600mn 5-year bond priced at CT5+105bps, tightening from its initial price guidance of CT5+125bps area and the USD400mn 10-year bond at CT10+137.5bps, tightening from its initial price guidance of CT10+160bps area.
- Seven & I Holdings Co Ltd has priced a USD600mn 3-year bond at CT3+53bps, tightening from its initial price guidance of CT3+65-70bps.
- Housing & Development Board has priced a SGD700mn 7-year bond at 2.625%.
- Korea Housing Finance Corp has hired banks for its potential bond issuance.
- SIHC International Capital Ltd has scheduled for investor meetings from 12 Sept for its potential USD bond issuance (guaranteed by Shenzhen Investment Holdings Co Ltd).

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
11-Sept-18	Bank of China (Hong Kong) Ltd	USD3bn	PerpNC5	5.90%
11-Sept-18	China Southern Power Grid International Finance BVI Co Ltd	USD600mn	5-year	CT5+105bps
11-Sept-18	China Southern Power Grid International Finance BVI Co Ltd	USD400mn	10-year	CT10+137.5bps
11-Sept-18	Seven & I Holdings Co Ltd	USD600mn	3-year	CT3+53bps
11-Sept-18	Housing & Development Board	SGD700mn	7-year	2.625%
10-Sept-18	Societe Generale SA	USD1bn	5-year	CT5+145bps
10-Sept-18	Societe Generale SA	USD750mn	10-year	CT10+185bps
10-Sept-18	Expand Lead Ltd	USD300mn	3-year	6.40%
10-Sept-18	Poly Real Estate Finance Ltd	USD500mn	5-year	CT5+220bps
10-Sept-18	AVIC International Finance & Investment Ltd	USD100mn	CATIC 4.375%'21s	4.459%
10-Sept-18	Commerzbank Aktiengesellschaft	SGD400mn	10NC5	4.2%
6-Sept-18	Toyota Tsusho Corp	USD500mn	5-year	CT5+95bps
6-Sept-18	Anhui Transportation Holding Group (H.K.) Ltd	USD350mn	3-year	5.0%
6-Sept-18	Export-Import Bank of China	USD300mn	5-year	3mL+70bps

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