

Sept 13, 2018

Credit Headlines: Groupe BPCE, Aspiat Corp Ltd, ESR-REIT

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 2-3bps higher.
- Flows in SGD corporates were heavy yesterday, with better buying seen in DBSSP 3.98%-PERPs and CMZB 4.2%'28s and better selling seen in OCBCSP 4.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 141bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 496bps.
- Overall, 10Y UST yields fell 1bps to close at 2.96% on the back of a lower-than-expected producer price index in August.

Credit Headlines:

Groupe BPCE ("GBPCE") / BPCE SA | Issuer Profile: Neutral (4)

- GBPCE has announced the acquisition by BPCE SA of Natixis' retail related specialized finance businesses comprising consumer financing, factoring, leasing, sureties & guarantees and securities services. The acquisition price is EUR2.7bn.
- BPCE SA (BPCE) is the central institution of GBPCE, which (1) houses GBPCE's commercial banking and insurance subsidiaries and publicly listed Natixis (71% owned by BPCE) which provides wholesale banking, investment solutions and specialized financial services; and more importantly (2) centralizing strategy for the wider Groupe BPCE which includes two co-operative retail and commercial banking networks, Banque Populaire Banks and Caisses d'Epargne.
- Although effectively a subsidiary of the cooperative networks, BPCE's role as Groupe's central institution means it is legally responsible for supervising and managing group strategies, operations and ensuring ongoing liquidity and solvency through control of a 'mutual financial solidarity mechanism' for Groupe in times of stress. As BPCE is also legally protected by this support mechanism, the credit profile of BPCE is effectively equal to that of the wider group.
- The rationale for the intra-group transaction is to simplify the organization as well as position Natixis to implement its asset-light strategy. Simplification is expected to be achieved at BPCE through the ability to better support existing business with Banque Populaire Banks and Caisses d'Epargne using the newly acquired businesses from Natixis to reinforce BPCE's universal banking model. For Natixis, the disposal of these businesses are expected to generate capital and financial flexibility to invest in asset light businesses including asset management to also reinforce Natixis' focus on investment banking, asset and wealth management and insurance.
- As part of this transaction, Natixis will also pay GBPCE a special dividend of EUR1.5bn, subject to any acquisition opportunities for Natixis.
- Both the independent directors of Natixis and BPCE's Supervisory Board have approved the re-organization with the transaction expected to close in 1Q2019.
- This transaction appears effectively to be a net allocation of resources to Natixis to grow its balance sheet light activities while also improve the product offerings at BPCE's retail bank. The key influence on BPCE's future credit profile will be the nature and size of any potential acquisitions. We presently maintain a Neutral (4) issuer profile on BPCE (OCBC, Company)

Credit Headlines (cont'd):

Aspial Corp Ltd ("Aspial") | Issuer Profile: Negative (6)

- Aspial is inviting holders of the SGD74mn ASPSP 5.5% 2018s and SGD123.5mn ASPSP 5.05% 2019s to either (A) tender their notes for cash or (B) exchange for an equivalent principal amount of ASPSP 6.25% 2021s.
- **Under option A**
 - The entire outstanding ASPSP 5.5% 2018s can be put back at par + accrued interest with 10bps consent fee if consented before 10am on 20 Sep 2018 ("early exit").
 - For ASPSP 5.05% 2019s, the principal to be redeemed ("redemption amount") is limited to just SGD10mn though Aspial has the option to upsize the eventual redemption amount, which can be put back at 99.9 + accrued interest with 10bps consent fee for early exit. If the amount tendered for ASPSP 5.05% 2019s exceeds the redemption amount, the offers will be accepted by ballot.
- **Under option B**
 - Holders of both ASPSP 5.5% 2018s and ASPSP 5.05% 2019s will exchange for a like principal amount of a proposed ASPSP 6.25% '21s, together with accrued interest and 50bps exchange fee.
- We think it looks favourable to exercise option A if the bonds continue to trade below par. However, it does not appear compelling to exchange the existing 2018's or 2019's to a potential ASPSP 6.25% '21s, noting that several higher yield developer credits are trading well in excess of 6% and the [previous tender to exchange to ASPSP 5.9% 2021s was not well-taken up](#). (Company, OCBC)

ESR-REIT ("EREIT") | Issuer Profile: Neutral (4)

- EREIT has announced that the Chief Operating Officer & Chief Financial Officer ("CFO"), Mr Shane Hagan has decided to leave the company. He will stay with the company until end-October 2018. Mr Hagan joined EREIT in January 2016 and oversaw the sale of the 80%-stake in the REIT Manager, namely ESR Funds Management (S) Limited (then known as Cambridge Industrial Trust Management Limited) to e-Shang Redwood Group ("ESR"). Ms Nancy Tan, the current Head of Real Estate will take over the operational and investment matters while Ms Amy Low the current Financial controller will be appointed as acting CFO.
- EREIT is in the process of a merger with VIVA Industrial Trust though at this stage we do not see the impending departure of Mr Hagan to unduly affect the merger. (Company, OCBC)

Table 1: Key Financial Indicators

	13-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	79	-3	-4
iTraxx SovX APAC	13	0	2
iTraxx Japan	53	-1	-4
iTraxx Australia	72	-2	-4
CDX NA IG	57	-3	-5
CDX NA HY	107	0	0
iTraxx Eur Main	62	-3	-8
iTraxx Eur XO	283	-7	-25
iTraxx Eur Snr Fin	70	-8	-19
iTraxx Sovx WE	25	-1	-4
AUD/USD	0.717	-0.36%	-1.32%
EUR/USD	1.163	0.09%	1.96%
USD/SGD	1.372	0.20%	0.25%
China 5Y CDS	57	-2	-7
Malaysia 5Y CDS	102	-1	11
Indonesia 5Y CDS	141	-1	17
Thailand 5Y CDS	41	-2	-2

	13-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	79.67	4.14%	9.72%
Gold Spot (\$/oz)	1,206.99	0.58%	1.13%
CRB	193.36	1.23%	1.61%
GSCI	471.39	1.71%	3.58%
VIX	13.14	-5.54%	-11.10%
CT10 (bp)	2.965%	9.14	8.59
USD Swap Spread 10Y (bp)	7	0	1
USD Swap Spread 30Y (bp)	-6	1	1
TED Spread (bp)	20	0	-8
US Libor-OIS Spread (bp)	19	-2	-9
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,999	0.09%	3.22%
SPX	2,889	0.01%	2.37%
MSCI Asiax	631	-1.90%	-3.74%
HSI	26,345	-3.30%	-5.70%
STI	3,125	-1.00%	-3.72%
KLCI	1,785	-1.52%	0.11%
JCI	5,798	-1.81%	-1.08%

New issues

- Inventive Global Investment Ltd (wholly-owned subsidiary of ABC International Holdings Limited) has priced a USD800mn deal across two tranches (guaranteed by Agricultural Bank of China Ltd, Hong Kong Branch), with the USD300mn 3-year bond at CT3+110bps, tightening from its initial price guidance of CT3+130bps area and the USD500mn 3-year FRN at 3mL+85bps, tightening from its initial price guidance of 3mL+110bps area.
- Bangkok Bank Public Company Limited has priced a USD1.2bn deal across two tranches, with the USD600mn 5.5-year priced at CT5.5+122.5bps, tightening from its initial price guidance of CT5.5+145bps area and the USD600mn 10-year bond at CT10+152.5bps, tightening from its initial price guidance of CT10+175bps area.
- Mitsubishi UFJ Lease & Finance Co Ltd has priced a USD500mn 5-year bond at CT5+110bps, tightening from its initial price guidance of CT5+130bps area.
- AIA Group Ltd has priced a USD500mn 3-year FRN at 3mL+52bps, tightening from its initial price guidance of 3mL+60bps area.
- Pepper Group Ltd has scheduled for investor meetings from 18 Sept for its potential USD/AUD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
12-Sept-18	Inventive Global Investment Ltd	USD300mn	3-year	CT3+110bps
12-Sept-18	Inventive Global Investment Ltd	USD500mn	3-year	3mL+85bps
12-Sept-18	Bangkok Bank Public Company Limited	USD600mn	5.5-year	CT5.5+122.5bps
12-Sept-18	Bangkok Bank Public Company Limited	USD600mn	10-year	CT10+152.5bps
12-Sept-18	Mitsubishi UFJ Lease & Finance Co Ltd	USD500mn	5-year	CT5+110bps
12-Sept-18	AIA Group Ltd	USD500mn	3-year	3mL+52bps
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%

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

Seow Zhi Qi

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
zhigiseow@ocbc.com

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