

May 25, 2018

**Credit Headlines:** Julius Baer Group Ltd, Mapletree Logistics Trust, ESR-REIT

## **Market Commentary**

- The SGD swap curve traded little changed yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded unchanged (with the exception of 12-year tenor trading 3bps lower).
- Flows for SGD corporates were light yesterday, with better buying seen in HSBC 4.7%-PERP.
- Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 1.34% and 4.14%.
- 10Y UST yield fell 2bps to 2.98% on safety buying after President Donald Trump called off a planned summit with North Korean leader Kim Jong Un.

## **Credit Headlines**

### **Julius Baer Group Ltd (“JBG”) | Issuer Profile: Neutral (3)**

- JBG reported its interim management statement for the 4 months ended 30 April 2018.
- Assets under management (AuM) had grown CHF13bn, or 3% from 31 December 2017 to a record CHF401bn, crossing the CHF400bn mark for the first time. Growth has slowed somewhat versus the same period in 2017 (which saw a 6% growth), potentially due to the deceleration of relationship managers hiring under the new CEO, Bernhard Hodler. Hodler had targeted to hire a net increase of 80 relationship managers in 2018 versus 166 in 2016 under the previous CEO.
- That being said, net new money inflows remains healthy at over 5% annualized (target of 4% – 6%) with particular strong inflows from Europe, Switzerland and Asia.
- Gross margin had expanded by 5bps to 93bps (versus 2H2017), driven by heightened client activity in January and March, boosting both net commission and fee income as well as net trading income. Cost to income ratio had also improved further from 69.0% (2017) to just below 67%, potentially reflecting the stronger gross margin and sustained revenue growth outpacing slower hiring. Despite the acquisition of the residual 20% stake in Kairos (January 2018), BIS CET1 ratios had remained relatively stable at 13.3% (end-2017: 13.5%). JBG's BIS total capital ratio however fell to 19.8% (end-2017: 21.2%) as JBG had redeemed CHF250mn of AT1 securities in March 2018. (Company, OCBC)

## **Credit Headlines (cont'd):**

### **Mapletree Logistics Trust (“MLT”) | Issuer Profile: Neutral (4)**

- MLT has priced new units at SGD1.197 per unit, representing a discount of ~2.25% to the volume weighted average price (“VWAP”) of SGD1.2246 per unit for the full market day on 24 May 2018.
- MLT raised gross proceeds of SGD220mn of which SGD205.3mn will go towards fully funding the acquisition of a 50%-economic interest in [11 China-based logistics properties](#) (the “China Portfolio”) from its Sponsor and Itochu Corporation.
- About SGD6.5mn will go towards paying estimated professional and other fees and expenses while SGD8.2mn will be kept for repaying existing debt, and/or future acquisitions and for general corporate and working capital purposes.
- We see this transaction as credit neutral to MLT. (Company, OCBC)

### **ESR-REIT (“EREIT”) | Issuer Profile: Neutral (4)**

- EREIT has announced that a subsidiary of troubled firm Hyflux Ltd (“HFY”) represents 6.8% of EREIT’s rental income as at 31 March 2018 (making it EREIT’s second largest tenant)
- EREIT purchased 8 Tuas South Lane from HFY in December 2017 under a partial sales-and-leaseback arrangement. Per EREIT there are currently no arrears due from this tenant and it believes that rental payments will continue through HFY’s reorganisation process.
- We had factored in HFY’s credit deterioration in our assessment of issuer profile for EREIT given the company’s [liquidity strains](#) and as such we are comfortable holding EREIT at Neutral (4).
- Additionally, EREIT is in the midst of a proposed merger with its peer VIVA Industrial Trust (“VIT”), which if successful would reduce the concentration to HFY. (Company, OCBC)

**Table 1: Key Financial Indicators**

	25-May	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	76	0	-1
iTraxx SovX APAC	12	-1	0
iTraxx Japan	51	1	0
iTraxx Australia	66	0	0
CDX NA IG	62	0	0
CDX NA HY	107	0	0
iTraxx Eur Main	63	5	6
iTraxx Eur XO	289	12	10
iTraxx Eur Snr Fin	71	5	14
iTraxx Sovx WE	23	3	7
AUD/USD	0.757	0.77%	0.05%
EUR/USD	1.171	-0.53%	-3.71%
USD/SGD	1.341	0.19%	-0.89%
China 5Y CDS	56	0	-3
Malaysia 5Y CDS	84	-1	9
Indonesia 5Y CDS	119	-6	12
Thailand 5Y CDS	45	0	-1

Source: OCBC, Bloomberg

	25-May	1W chg	1M chg
Brent Crude Spot (\$/bbl)	78.65	0.18%	6.28%
Gold Spot (\$/oz)	1,302.12	0.70%	-1.59%
CRB	205.66	1.03%	2.48%
GSCI	491.49	0.48%	4.13%
VIX	12.53	-6.70%	-29.76%
CT10 (bp)	2.990%	-6.61	-3.61
USD Swap Spread 10Y (bp)	3	0	0
USD Swap Spread 30Y (bp)	-10	-2	2
TED Spread (bp)	43	-1	-9
US Libor-OIS Spread (bp)	44	0	-11
Euro Libor-OIS Spread (bp)	4	0	2
DJIA	24,812	0.40%	3.02%
SPX	2,728	0.28%	3.35%
MSCI Asiax	714	-0.17%	1.22%
HSI	30,633	-1.00%	1.00%
STI	3,526	-0.10%	-1.18%
KLCI	1,793	-3.33%	-3.20%
JCI	5,995	3.66%	-1.39%

## New issues

- Housing & Development Board has priced a SGD500mn 12-year bond at 3.08%.
- China Overseas Grand Oceans Finance IV Cayman Ltd has priced a USD500mn 3-year bond (guaranteed by China Overseas Grand Oceans Group Ltd) at CT3+225bps, in line with its initial price guidance.
- Tokyo Metropolitan Government (TOKYO) has priced a USD500mn 5-year bond at MS+42bps, tightening from its initial price guidance of MS+45bps area.
- China Everbright Bank Co Ltd (Hong Kong Branch) has hired banks for its potential USD/EUR bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
24-May-18	Tokyo Metropolitan Government	USD500mn	5-year	MS+42bps
24-May-18	China Overseas Grand Oceans Finance IV Cayman Ltd	USD500mn	3-year	CT3+225bps
24-May-18	Housing & Development Board	SGD500mn	12-year	3.08%
23-May-18	QNB Finance Ltd	CNH600mn	3-year	5.2%
23-May-18	Logan Property Holdings Co Ltd (re-tap)	USD100mn	LOGPH 6.875%'21	7.5%
23-May-18	FPC Capital Ltd	USD175mn	7NC4	5.75%
23-May-18	China Merchants Bank Co Ltd/Hong Kong	USD500mn	3-year	3mL+77.5bps
23-May-18	Export-Import Bank of Korea	USD700mn	5-year	3mL+77.5bps
23-May-18	Export-Import Bank of Korea	USD800mn	3-year	3mL+57.5bps
18-May-18	DBS Bank Ltd	USD100mn	2-year	3.12%
17-May-18	Top Yield Ventures Ltd	USD120mn	364-day	9.75%
17-May-18	China South City Holdings Ltd	USD150mn	2-year	11%
17-May-18	QNB Finance Ltd	USD1.5bn	3-year	3mL+135bps
17-May-18	Vanke Real Estate Hong Kong Co Ltd	USD650mn	5-year	3mL+155bps
17-May-18	China Great Wall International Holdings III Ltd	USD600mn	5-year	CT5+155bps

**Andrew Wong**

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

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Ezien Hoo, CFA**

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

**Wong Hong Wei**

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

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