

Nov 28, 2018

Credit Headlines: Julius Baer Group Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates trading 1-3bps lower across most tenors.
- Flows in SGD corporates were heavy yesterday, with better buying seen in UBS 5.875%-PERPs and UOBSP 4.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 157bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 620bps respectively.
- 10Y UST yields fell 2bps to 3.04% in the earlier part of the trading session on the back of strong demand from the USD40bn 5-year bond auction as well as resurgent worries about the US-China trade tensions. Yields subsequently recovered 2bps to close at 3.06%.

Credit Headlines:

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

- It has been reported that Angela Bow, Head Emerging Asia, has resigned after 2 years at JBG.
- We [previously mentioned](#) that a key vulnerability for private banks is its reliance on the quality of its personnel and their relationships with clients. As such, this development may be impactful given JBG’s current growth strategy focused on Asia and follows recent staff departures in Latin and Central America.
- In our view, JBG increasingly seems to be at somewhat of an inflection point in terms of its future strategy in the context of still recent management changes as well as the increasingly competitive world of Private Banking with the [recent interim management statement](#) for the 10 months ended 31 October 2018 reflecting somewhat difficult operating conditions from volatile financial markets which reduced client activity.
- Reflecting this inflection point, JBG has been pursuing a selective expansion strategy which has seen new investments in Japan (strategic partnership with Nomura Holdings Inc.), opening a new advisory office in Johannesburg, South Africa, and the restructuring of its Latin America operations following a strategic review due to new senior management appointments and the aforementioned staff departures.
- As per JBG’s 2017 annual report, JBG’s strategy is to equally balance its AUM by geographic allocation between its original target markets of Switzerland and Europe and growth markets (Asia, Latin America, Russia, the Middle East, Israel, Africa, Central and Eastern Europe). (OCBC, Company)

Table 1: Key Financial Indicators

	28-Nov	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	98	2	6
iTraxx SovX APAC	10	0	0
iTraxx Japan	65	1	6
iTraxx Australia	88	0	6
CDX NA IG	79	0	8
CDX NA HY	104	0	-1
iTraxx Eur Main	80	2	4
iTraxx Eur XO	339	19	38
iTraxx Eur Snr Fin	103	-1	9
iTraxx Sovx WE	27	-2	0
AUD/USD	0.723	-0.41%	2.52%
EUR/USD	1.130	-0.76%	-0.67%
USD/SGD	1.378	-0.35%	0.45%
China 5Y CDS	74	2	2
Malaysia 5Y CDS	119	3	7
Indonesia 5Y CDS	152	1	-7
Thailand 5Y CDS	46	-1	2

	28-Nov	1W chg	1M chg
Brent Crude Spot (\$/bbl)	60.21	-3.71%	-22.43%
Gold Spot (\$/oz)	1,214.55	-0.94%	-1.21%
CRB	179.92	-4.68%	-7.97%
GSCI	406.20	-2.91%	121.47%
VIX	19.02	-5.37%	-21.27%
CT10 (bp)	3.057%	-0.55	-1.83
USD Swap Spread 10Y (bp)	5	-2	-2
USD Swap Spread 30Y (bp)	-13	-3	-2
TED Spread (bp)	31	1	11
US Libor-OIS Spread (bp)	34	2	10
Euro Libor-OIS Spread (bp)	4	1	0
DJIA	24,749	-1.07%	0.24%
SPX	2,682	-0.32%	0.88%
MSCI Asiax	607	1.20%	5.74%
HSI	26,332	1.90%	6.53%
STI	3,090	2.09%	3.98%
KLCI	1,685	-1.50%	0.11%
JCI	6,014	0.14%	3.95%

New issues

- Redsun Properties Group Ltd has priced a USD180mn 2NP1 bond (subsidiary guarantor: certain of company's restricted subsidiaries incorporated outside PRC) at 13.5%, in line with the final price guidance.
- Eastern Creation II Investment Holdings Ltd has priced a USD400mn 3-year bond (guaranteed by: Beijing Infrastructure Investment (Hong Kong) Ltd, keepwell provider: Beijing Infrastructure Investment Co Ltd) at CT3+133bps, tightening from its initial price guidance of CT3+155bps area.
- Minor International Pcl has priced a USD300mn PerpNC3 (guaranteed by Bangkok Bank Pcl) at CT3+180bps, tightening from its initial price guidance of CT3+195bps area.
- Hainan Airlines Holding Co Ltd has priced a CNY1.4bn Perp at 7.3%.
- Export-Import Bank of Korea has priced a USD250mn 2-year FRN at 3mL+26bps.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
28-Nov-18	Redsun Properties Group Ltd	USD180mn	2NP1	13.5%
28-Nov-18	Eastern Creation II Investment Holdings Ltd	USD400mn	3-year	CT3+133bps
28-Nov-18	Minor International Pcl	USD300mn	PerpNC3	CT3+180bps
28-Nov-18	Hainan Airlines Holding Co Ltd	CNY1.4bn	Perp	7.3%
28-Nov-18	Export-Import Bank of Korea	USD250mn	2-year	3mL+26bps
26-Nov-18	Korea Development Bank	USD250mn	2-year	3mL+28bps
26-Nov-18	Korea Development Bank of Singapore	USD100mn	2-year	3mL+39.5bps
26-Nov-18	National Australia Bank Ltd/New York	USD1.15bn	5-year	MS+45bps
26-Nov-18	National Australia Bank Ltd/New York	USD600mn	3-year	3mL+71bps
26-Nov-18	National Australia Bank Ltd/New York	USD750mn	3-year	CT3+88bps
26-Nov-18	Hongkong Baorong Development Ltd	USD230mn	3-year	6.75%
26-Nov-18	China State Construction Finance (Cayman) I Ltd	USD500mn	PerpNC3	6.225%
23-Nov-18	CFLD (Cayman) Investment Ltd	USD100mn	CHFOTN 9.0%'21s	8.99%
23-Nov-18	Bank of China, Tokyo Branch	CNH800mn	2-year	4.35%
22-Nov-18	Yancoal International Resources Development Co Ltd	USD275mn	3-year	6.0%
22-Nov-18	Haichuan International Investment Co Ltd	USD100mn	3-year	7.5%

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