

Oct 12, 2018

Credit Headlines: Groupe BPCE / BPCE SA, Chip Eng Seng Corp Ltd

Market Commentary

- The SGD swap curve bull flattened yesterday, with swap rates for the shorter tenors trading 1-3 bps lower while the longer tenors traded 5-6 bps lower.
- Flows in SGD corporates were solid, with better buying seen in DBSSP 3.98%-PERPs and SRBJNG 4.11% '25s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was 2bps higher at 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was 11bps higher at 487bps, a relatively large one day widening.
- 10Y UST yields declined 1bps to 3.15%.

Credit Headlines:

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

- Following the [internal restructuring of Groupe BPCE](#), Nataxis SA (71% owned by BPCE SA) has announced it is in preliminary talks with Ingenico Group SA ("Ingenico") about a business combination. Ingenico is a France headquartered electronic payment solution company operating across 170 countries and 88 sites. Ingenico has a market capitalization of approx. EUR4.4bn and total assets of EUR5.8bn as at 30 June 2018.
- The potential size of any business combination between Nataxis and Ingenico will likely consume the special dividend of EUR1.5bn that was to be paid to GBPCE as part of its sale of retail related specialized finance businesses to BPCE SA and could necessitate external capital raising at Nataxis, depending on the structure.
- This potential transaction is consistent with Nataxis' asset-light strategy and focus on four core business lines – Asset & Wealth Management, Corporate & Investment Banking, Insurance, and Payments. Nataxis also stated in late September an acquisition ambition for 2018-2020 of EUR2.5bn.
- We await further details on any transaction although we do not see this transaction, if successful, as altering our fundamental view. We presently maintain a Neutral (4) issuer profile on BPCE (OCBC, Company)

Credit Headlines (cont'd):

Chip Eng Seng Corp Ltd (“CES”) | Issuer Profile: Negative (6)

- CES has announced the occurrence of a Change of Control Event (“CoC”) following [the Founder Group sale of shares in CES to Celine and Gordon Tang](#). Pursuant to the CoC, CES shall at the option of holders of CHIPEN 4.75% '21s and CHIPEN 4.9% '22s redeem the bonds at 100%, including the interest accrued to (but excluding) the date fixed for redemption – 11 December 2018.
- We recommend bondholders to put the bonds back to company for the following reasons:
 - Given bonds are trading below par, redemption at par will provide bondholders a positive return.
 - The Founder Group’s shareholding post sales of ~7%, down from ~37% was unexpected given their long association with and strong family involvement in the company.
 - Apart from changes in shareholders, Lim Tiang Chuan, brother of founder and Dawn Lim Sock Kiang, daughter of founder have resigned from their respective positions as the Executive Deputy Chairman and Executive Director.
 - As far as we can publicly tell, the Tangs have no strategic interest in the education sector which CES is expanding into, though companies controlled by the Tangs are involved in property investment, development and construction.
- Bondholders have until 5pm (Singapore time) on 2 November 2018 to exercise their put option. (Company, OCBC)

Table 1: Key Financial Indicators

	12-Oct	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	88	4	9
iTraxx SovX APAC	10	0	-3
iTraxx Japan	57	0	7
iTraxx Australia	79	4	7
CDX NA IG	66	5	9
CDX NA HY	106	-1	-1
iTraxx Eur Main	75	5	13
iTraxx Eur XO	297	17	14
iTraxx Eur Snr Fin	93	6	23
iTraxx Sovx WE	27	1	2
AUD/USD	0.712	0.94%	-0.71%
EUR/USD	1.160	0.62%	-0.26%
USD/SGD	1.374	0.61%	-0.15%
China 5Y CDS	67	5	10
Malaysia 5Y CDS	107	5	5
Indonesia 5Y CDS	150	6	9
Thailand 5Y CDS	44	2	3

	12-Oct	1W chg	1M chg
Brent Crude Spot (\$/bbl)	80.54	-4.30%	1.00%
Gold Spot (\$/oz)	1,218.73	1.25%	1.04%
CRB	196.63	-2.29%	1.69%
GSCI	478.67	-3.16%	1.55%
VIX	24.98	115.16%	90.11%
CT10 (bp)	3.167%	-6.60	20.42
USD Swap Spread 10Y (bp)	5	1	-2
USD Swap Spread 30Y (bp)	-10	1	-4
TED Spread (bp)	18	-2	-2
US Libor-OIS Spread (bp)	18	1	-2
Euro Libor-OIS Spread (bp)	3	0	-1
DJIA	25,053	-5.91%	-3.64%
SPX	2,728	-5.97%	-5.56%
MSCI Asiax	586	-5.67%	-7.17%
HSI	25,423	-4.33%	-3.50%
STI	3,059	-4.71%	-2.12%
KLCI	1,718	-3.34%	-3.78%
JCI	5,758	0.46%	-0.69%

New issues

People's Republic of China priced USD3bn of bonds across 3 tranches:

- (1) USD1.5bn 5Y bond at CT5+30bps, tightening from initial price guidance of CT5+50bps
- (2) USD1.0bn 10Y bond at CT10+45bps, tightening from initial price guidance of CT10+65bps
- (3) USD500mn 30Y bond at CT30+70bps, tightening from an initial price guidance of CT30+90bps.

Date	Issuer	Size	Tenor	Pricing
12-Oct-18	People's Republic of China	USD1.5bn	5-year	CT5+30bps
12-Oct-18	People's Republic of China	USD1.0bn	10-year	CT10+45bps
12-Oct-18	People's Republic of China	USD500mn	30-year	CT30+70bps
11-Oct-18	Zijin International Capital Co	USD350mn	3-year	CT3+230bps
11-Oct-18	Yieldking Investment Ltd	USD500mn	3-year	4.80%
11-Oct-18	Anhui Provincial Investment Group Holding Co Ltd	USD400mn	3-year	CT3+200bps
11-Oct-18	Beijing Environment (BVI) Co	USD225mn	3-year	5.30%
9-Oct-18	Maoye International Holdings Ltd	USD100mn	MAOIH 13.25%'20s	100 + accrued interest
8-Oct-18	Shimao Property Holdings Ltd	USD250mn	3NC2	6.375%
8-Oct-18	Kasikornbank PCL	USD100mn	5-year	3mL+95bps
4-Oct-18	Macquarie Group Ltd	USD850mn	11.25NC10.25	CT10+185bps
2-Oct-18	Aspiar Corp Ltd	SGD20.75mn	3-year	6.25%
27-Sept-18	The Independent State of Papua New Guinea	USD500mn	10-year	8.375%
26-Sept-18	CIFIC Holdings (Group) Co Ltd	USD300mn	CIFIHG 5.5%'22s	8.625% + accrued interest
26-Sept-18	Surbana Jurong Pte Ltd	SGD350mn	7-year	4.11%

Source: OCBC, Bloomberg

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