

Jan 15, 2019

Credit Headlines: Julius Baer Group Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 1-3bps lower while the longer tenors traded 4-5bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 162bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 594bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in UBS 5.875%-PERPs, OCBCSP 3.8%-PERPs, PREHSP 5.95%'20s and HSBC 5.0%-PERPs.
- 10Y UST yields ended stable at 2.70% as improving market sentiments with equity markets rallying offset a 5bps fall during the Europe Session. Optimistic remarks on the economy by Fed Vice Chairman Richard Clarida and US President Donald Trump's reluctance to declare a national emergency because of the government shutdown also weighed positively on the improved risk appetite.

Credit Headlines:

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

- JBG's chairman Daniel Sauter has decided not to seek re-election after previously announcing his intention to stay on as Chairman.
- This adds to recent changes in JBG's management and businesses. As we mentioned in our recently published [Singapore Credit Outlook 2019](#), JBG's credit profile remains somewhat in a state of flux given these changes in the context of the competitive private banking landscape. For now though, we are holding the Neutral (3) issuer profile although we think BAERVX is facing some fundamental challenges.
- In line with our theme for looking at higher yields for the carry to mitigate price volatility, we remain overweight the BAERVX 5.90% PERPc20s for the shorter call date and high carry and are neutral the BAERVX 5.75% PERPc22s. (Company, OCBC)

Table 1: Key Financial Indicators

	15-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	90	-1	-1
iTraxx SovX APAC	67	-1	0
iTraxx Japan	77	-3	0
iTraxx Australia	90	0	1
CDX NA IG	79	1	-3
CDX NA HY	103	0	1
iTraxx Eur Main	82	-4	0
iTraxx Eur XO	342	-3	0
iTraxx Eur Snr Fin	105	-5	0
iTraxx Sovx WE	26	0	1
AUD/USD	0.721	1.01%	0.46%
EUR/USD	1.148	0.33%	1.15%
USD/SGD	1.352	0.42%	1.51%
China 5Y CDS	64	1	1
Malaysia 5Y CDS	97	-6	-7
Indonesia 5Y CDS	130	-1	-5
Thailand 5Y CDS	46	0	3

	15-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	59.64	1.57%	-1.06%
Gold Spot (\$/oz)	1,291.49	0.47%	3.66%
CRB	177.79	1.81%	-1.40%
GSCI	399.64	2.68%	-1.59%
VIX	19.07	-10.89%	-11.84%
CT10 (bp)	2.708%	-2.03	-18.18
USD Swap Spread 10Y (bp)	3	0	-1
USD Swap Spread 30Y (bp)	-20	-4	-6
TED Spread (bp)	37	-2	-2
US Libor-OIS Spread (bp)	38	1	-3
Euro Libor-OIS Spread (bp)	4	-1	0
DJIA	23,910	1.61%	-0.79%
SPX	2,583	1.29%	-0.67%
MSCI Asiax	605	1.45%	0.42%
HSI	26,298	1.63%	0.78%
STI	3,202	2.54%	4.07%
KLCI	1,675	0.16%	0.81%
JCI	6,336	0.78%	2.69%

New issues

- Korea Midland Power Co Ltd has priced a USD300mn 3-year green bond at T+95bps, tightening from IPT of T+125bps.
- Future Land Development Holdings Ltd has priced a USD300mn 2-year bond at 7.5%, tightening from IPT of 7.875%.
- BNP Paribas SA has priced a SGD250mn 10NC5 Tier 2 bond at 4.35%, tightening from IPT of 4.375%.
- CMB Wing Lung Bank Ltd has scheduled for investor meetings from 14 Jan for its potential USD Tier 1 bond issuance.
- PT Alam Sutera Realty Tbk has scheduled investor meetings on 14 Jan for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
14-Jan-19	BNP Paribas SA	SGD250mn	10NC5 Tier 2	4.35%
14-Jan-19	Korea Midland Power Co Ltd	USD300mn	3-year	T+95bps
14-Jan-19	Future Land Development Holdings Ltd	USD300mn	2-year	7.5%
11-Jan-19	DBS Group Holdings Ltd	USD100mn	2-year	3-month US LIBOR +41bps
11-Jan-19	Industrial & Commercial Bank of China Ltd of Hong Kong	USD200mn	1-year	3-month US LIBOR +65bps
11-Jan-19	Industrial & Commercial Bank of China Ltd of Hong Kong	USD100mn	2-year	3-month US LIBOR +70bps
11-Jan-19	Easy Tactic Ltd (Guangzhou R&F Properties HK Co Ltd)	USD200mn	GZRFPR 8.75%'21s	8.87%
10-Jan-19	Singapore Technologies Telemedia Pte Ltd	SGD300mn	PerpNC5	5.0%
10-Jan-19	Sunac China Holdings Ltd	USD600mn	2-year	8.375%
10-Jan-19	Indian Oil Corp	USD900mn	5-year	T+222.5bps
10-Jan-19	Shanghai Commercial Bank Ltd	USD300mn	10NC5 Tier 2	T+250bps
9-Jan-19	RKPF Overseas 2019 (B) Ltd (Road King Infrastructure Ltd)	USD400mn	2-year, 3-month	7.75%
8-Jan-19	City Developments Ltd	SGD150mn	5-year	3.0%
8-Jan-19	Dah Sing Bank Ltd	USD225mn	10NC5 Tier 2	T+255bps
8-Jan-19	Coastal Emerald Ltd (China Shandong Hi-Speed Financial Group Ltd)	USD550mn	363-day	5.95%

Source: OCBC, Bloomberg

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
zhiqiseow@ocbc.com

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