

Apr 8, 2019

**Credit Headlines:** Julius Baer Group Ltd, Wing Tai Holdings Ltd

## **Market Commentary**

- The SGD swap curve steepened last Friday, with the shorter tenors trading little change while the belly and longer tenors traded 1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were little changed at 135bps and 464bps respectively.
- Flows in SGD corporates were heavy on Frasers Property corporates, with large flows seen in FPLSP 4.98%-PERPS. The rest of the flows are FPLSP 4.88%-PERPs, FPLSP 5.0%-PERPs, FPLSP 4.15%'27s, DBSSP 3.98%-PERPs, FPLSP 4.38%-PERPs and SINTEC 5.0%-PERPs.
- 10Y UST yields fell 2bps to close the session at 2.50%, as evidence of subdued inflation offset the initial rise in yields from the better-than-forecast US payrolls increase. Yield curve between the shorter-dated and longer-dated US treasury notes narrowed.

## **Credit Headlines**

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

- There is early speculation that UBS AG (Issuer profile: Unrated) may have an interest in acquiring JBG. Although there are no credible sources as yet, this speculation has led to JBG’s share price rising in the past week.
- To us, JBG’s vulnerability has somewhat increased recently as JBG appears to be undergoing a period of transition with staff and management movements as well as changes to its business and growth ambitions. While we are maintaining the current Neutral (3) issuer rating on JBG, we continue to monitor ongoing performance through FY2019 for an improvement in current trends and how management actions to address performance such as cost reductions impact future growth.
- JBG was one of the four companies we mentioned in our Credit Monthly last week with evolving credit profiles which we continue to monitor closely given their susceptibility to developments through 2019. (OCBC, Bloomberg)

### **Wing Tai Holdings Ltd (“WTH”) | Issuer Profile: Neutral (4)**

- WTH won the tender for a 99-year leasehold land parcel at Middle Road for SGD492.0mn (~SGD1,458 psf ppr). The development will be redeveloped into a 20-storey residential property with commercial units at the 1<sup>st</sup> floor.
- With this move, net gearing is expected to increase to ~13% (2QFY2019: Net cash). Despite the significant outlay, WTH has sufficient cash (2QFY2019: SGD831.7mn) to finance the acquisition.
- We continue to hold WTH at a Neutral (4) Issuer Profile. (Company, OCBC)

**Table 1: Key Financial Indicators**

	8-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	67	-2	-5
iTraxx SovX APAC	45	0	-9
iTraxx Japan	58	-1	-3
iTraxx Australia	71	-2	-1
CDX NA IG	60	-2	-4
CDX NA HY	107	0	2
iTraxx Eur Main	61	-1	-4
iTraxx Eur XO	254	-3	-35
iTraxx Eur Snr Fin	74	-2	-3
iTraxx Sovx WE	19	0	-2
AUD/USD	0.710	-0.18%	0.77%
EUR/USD	1.123	0.11%	-0.09%
USD/SGD	1.356	-0.08%	0.24%
China 5Y CDS	43	-1	-9
Malaysia 5Y CDS	57	-2	-10
Indonesia 5Y CDS	100	-1	-4
Thailand 5Y CDS	42	1	-7

	8-Apr	1W chg	1M chg
Brent Crude Spot (\$/bbl)	70.77	2.55%	7.65%
Gold Spot (\$/oz)	1,296.06	0.65%	-0.17%
CRB	187.68	2.14%	3.88%
GSCI	447.27	1.72%	6.03%
VIX	12.82	-6.49%	-20.12%
CT10 (bp)	2.492%	-0.91	-13.67
USD Swap Spread 10Y (bp)	-2	-2	-4
USD Swap Spread 30Y (bp)	-25	-1	-5
US Libor-OIS Spread (bp)	19	0	0
Euro Libor-OIS Spread (bp)	6	0	0
DJIA	26,425	1.91%	3.83%
SPX	2,893	2.06%	5.46%
MSCI Asiax	679	1.32%	5.79%
HSI	30,066	3.49%	3.81%
STI	3,313	1.92%	3.66%
KLCI	1,645	0.98%	-2.10%
JCI	6,443	-0.40%	0.94%

## New issues

- JSW Steel Ltd has scheduled investor meetings from 8 April for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
4-Apr-19	Xinyuan Real Estate Co Ltd	USD200mn	2.5-year	14.2%
4-Apr-19	Frasers Property Treasury Pte Ltd	SGD400mn	NC5-perp	4.98%
3-Apr-19	Tencent Holdings Ltd	USD1.25bn USD750mn USD500mn USD3.0bn USD500mn	5-year 5-year 7-year 10-year 30-year	T+95bps 3M-LIBOR+91bps T+115bps T+145bps T+160bps
3-Apr-19	PT Bank Mandiri	USD750mn	5-year	T+165bps
3-Apr-19	Mongolian Mining Corporation and Energy Resources LLC	USD440mn	5NC3	9.25%
3-Apr-19	GMR Hyderabad International Airport Ltd	USD300mn	5-year	5.375%
3-Apr-19	Xinjiang Transportation Construction Investment Holding Co Ltd	USD160mn	3-year	7.8%
3-Apr-19	Future Land Development Holdings Ltd	USD200mn	4NC2	6.15%
2-Apr-19	Resorts World Las Vegas LLC	USD1.0bn	10-year	CT10+222.5bps
2-Apr-19	Jisco SR Pearl Ltd	USD300mn	3-year	7.3%
2-Apr-19	BOC Aviation Ltd	USD750mn	5.5-year	CT5+135bps

Source: OCBC, Bloomberg

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