

November 24, 2016

Credit Headlines (Page 2 onwards): Hotel Properties Ltd., United Overseas Bank Ltd., China Vanke Ltd.

Market Commentary: The SGD swap curve was range-bound yesterday with swap rates trading mostly +/- 1bps across all tenors. Flows in the SGD corporates were moderate with better buying seen in, GENSSP 5.13%'49s, buying selling in STANLN 4.4%'26s while mixed interest was seen in, SOCGEN 4.3%'26s. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 200bps while the yield on JACI HY corporates increased 1bps to 6.89%. 10y UST yield increased 5bps to 2.4% as stronger-than-expected economic data and November's FOMC minutes released yesterday continue to support the fully priced-in interest rate hike in December.

New Issues: Changsha Pilot Investment Holdings Co. has priced a USD350mn 3-year bond at CT3+220bps, tightening from its initial guidance at CT3+240bps. The expected issue ratings are "BBB-/NR/BBB-". Chalieco Hong Kong Corp. Ltd. has priced a USD350mn perpetual, non-callable for 3-years at 5.7%, tightening from its initial guidance at 6.125%. The expected issue ratings are "BB/NR/NR". Horsepower Finance Ltd. has priced a USD550mn 3-year bond at CT3+107.5bps, tightening from its initial guidance at CT3+130bps. The expected issue ratings are "NR/A1/NR". State Power Investment Corp. has scheduled investor road shows from 24 November onwards for a potential USD bond issue with expected issue ratings of "NR/A2/A". Guangzhou Industrial Investment Fund Management Co. Ltd. has scheduled investor road shows from 24 November onwards for a potential USD bond issue with expected issue ratings of "BBB+/NR/A-".

Rating Changes: S&P assigned an "A-" corporate credit rating to State Power Investment Corp. (SPIC) with a stable outlook. The rating reflects the regulatory regime under which the company operates, pressure on SPIC's capacity utilization, and the company's high financial leverage with a high on-going need for capital spending. Moody's also assigned an "A2" rating with a stable outlook to SPIC.

Table 1: Key Financial Indicators

	24-Nov	1W chg (bps)	1M chg (bps)		24-Nov	1W chg	1M chg
iTraxx Asiax IG	129	2	14	Brent Crude Spot (\$/bbl)	48.95	4.98%	-5.47%
iTraxx SovX APAC	43	0	10	Gold Spot (\$/oz)	1,187.78	-2.35%	-6.06%
iTraxx Japan	56	1	0	CRB	187.69	2.93%	-0.90%
iTraxx Australia	109	-1	6	GSCI	371.24	3.83%	-1.21%
CDX NA IG	74	-1	0	VIX	12.43	-9.40%	-6.82%
CDX NA HY	105	1	0	CT10 (bp)	2.350%	4.72	58.51
iTraxx Eur Main	82	3	12	USD Swap Spread 10Y (bp)	-18	-3	-2
iTraxx Eur XO	346	3	29	USD Swap Spread 30Y (bp)	-58	-1	-1
iTraxx Eur Snr Fin	109	3	17	TED Spread (bp)	44	2	-11
iTraxx Sovx WE	23	1	4	US Libor-OIS Spread (bp)	33	-2	-7
iTraxx Sovx CEEMEA	101	-1	8	Euro Libor-OIS Spread (bp)	4	0	-1
					24-Nov	1W chg	1M chg
				AUD/USD	0.737	-0.53%	-3.21%
				USD/CHF	1.018	-1.08%	-2.42%
				EUR/USD	1.054	-0.85%	-3.18%
				USD/SGD	1.434	-0.93%	-2.86%
Korea 5Y CDS	51	-2	10	DJIA	19,083	1.14%	5.17%
China 5Y CDS	119	0	14	SPX	2,205	1.28%	2.97%
Malaysia 5Y CDS	166	1	45	MSCI Asiax	522	1.02%	-5.02%
Philippines 5Y CDS	125	-2	11	HSI	22,677	1.78%	-3.93%
Indonesia 5Y CDS	176	-5	26	STI	2,840	1.64%	-0.59%
Thailand 5Y CDS	92	-1	-4	KLCI	1,630	0.17%	-2.82%
				JCI	5,212	0.51%	-3.86%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
23-Nov-16	Changsha Pilot Investment Holdings	"BBB-/NR/BBB-"	USD350mn	3-year	CT3+220bps
23-Nov-16	Chalieco Hong Kong Corp.	"BB/NR/NR"	USD350mn	Perp-NC3	5.7%
23-Nov-16	Horsepower Finance Ltd.	"NR/A1/NR"	USD550mn	3-year	CT3+107.5bps
22-Nov-16	Studio City Co. Ltd.	"BB-/B1/NR"	USD350mn	3-year	5.875%
22-Nov-16	Studio City Co. Ltd.	"BB-/B1/NR"	USD850mn	5NC2	7.25%
22-Nov-16	Chengdu Xingcheng Investment Group	"NR/NR/BBB+"	USD300mn	5-year	CT5+190bps
22-Nov-16	Ping An Real Estate	"NR/NR/NR"	USD300mn	3-year	CT3+235bps
22-Nov-16	Dah Sing Bank Ltd.	"NR/Baa2/BBB"	USD250mn	10NC5	CT10+255bps
21-Nov-16	CMB Financial Leasing	"BBB+/Baa1/NR"	USD300mn	3-year	CT3+140bps

Source: OCBC, Bloomberg

Rating Changes (cont'd):

S&P assigned “BBB+” issuer credit ratings to Guangzhou Industrial Investment Fund Management Co. Ltd. with a stable outlook. The rating on the company reflects its “bb” stand-alone credit profile and S&P’s view that there is an extremely high likelihood of extraordinary support from the Guangzhou municipal government for the company, if needed. Fitch also assigned an “A-” issuer default rating to Guangzhou Industrial Investment Fund Management Co. Ltd. with a stable outlook.

Credit Headlines:

Hotel Properties Ltd. (“HPL”): Mr Ong Beng Seng, the largest shareholder (including deemed interest) has increased his stake in HPL from 77.7% to 80.2%, buying 13.0mn in additional shares for SGD4.25 per share, over a 20% premium to recent market price. The trigger level to watch would be the minimum free float of 10% as required by the SGX. (OCBC, Company)

United Overseas Bank Ltd. (“UOB”): It was reported in The Straits Times that UOB’s exposure to Swissco Holdings Ltd. (“SWCH”) and its joint ventures is USD167.1mn out of a total USD273.4mn in borrowings to financial institutions, making it the largest creditor of SWCH. DBS Group Holdings Ltd is the second largest lender to SWCH. SWCH formally filed for judicial management on 21/11/16 and interim judicial management applications will commence tomorrow. In UOB’s recent quarterly results for 3Q2016, allowances rose by 15% q/q and 16% y/y due to stresses in its oil and gas and shipping portfolio. Of note was the material rise in specific allowances which grew by 138% q/q and 409% y/y to SGD290mn, mostly in Singapore, and likely related to its SWCH exposure. While overall loan quality issues remain and non-performing loan formation was faster than the rise in total allowances and total loans, UOB’s earnings performance and capital formation remains solid. That, together with its secured position against its non-performing loans (loan loss coverage ratio of 266% if only including unsecured exposures as at 30 September 2016) should provide adequate protection against further unexpected loan stresses and the current challenging operating environment. We currently have a Neutral Issuer Profile on UOB. (Straits Times, Bloomberg, OCBC)

China Vanke Ltd. (“VANKE”): China Evergrande Group (“Evergrande”)’s direct and indirect shareholding of VANKE is now at 10%, a threshold which allows Evergrande to unilaterally call of shareholder’s meeting. Further advancement of Evergrande’s shareholding in VANKE is a credit negative. Though, to date, there has been no confirmation as to Evergrande’s intent on its VANKE’s stake (ie: whether it is intending to hold VANKE merely as a financial investment or seeking strategic control). (Company, OCBC)

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