

October 6, 2016

**Credit Headlines (Page 2 onwards):** Bank of East Asia Ltd., Sembcorp Industries / Sembcorp Marine, UOL Group Ltd.

**Market Commentary:** The SGD swap curve steepened sharply, with the belly and the long end of the curve trading 5 – 7bps higher yesterday. Flows in the SGD corporates were heavy with better buying seen in, TATAIN 4.95%'23s and better selling in, OLAMSP 4.25%'19s and GEMAU 5.5%'19s. Meanwhile we also saw mixed interests in, JTCSP 3.5%'23s, BNP 4.3%'25s, BAERVX 5.9%'49s, SOCGEN 4.3%'26s and BTHSP 5.75%'18s. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 204bps while the yield on JACI HY corporates increased 2bps to 6.50%. 10y UST yield increased 2bps to 1.71% as a September report that showed US services companies expanded at the fastest pace in almost a year further boosted bets that Federal Reserve would raise interest rate by year-end. Market is now pricing in a 62.1% chance of hiking in December meeting.

**New Issues:** UPL Corp. Ltd. has priced a USD500mn 5-year bond at CT5+200bps, tightening from its initial price guidance at CT5+220bps. The expected issue ratings are “BBB-/Baa3/BBB-“. Societe Generale SA has launched a AUD 10-year Tier 2 bond with initial price guidance at 4.9%. The bond may be price this week with expected issue ratings of “BBB/Baa3/A-“. Tenaga Nasional Bhd has scheduled investor meetings from 5 October onwards for potential USD bond issue with expected issue ratings of “BBB+/A3/NR“. China Aoyuan Property Group Ltd. has scheduled investor meetings from 7 October onwards for potential USD bond issue. Pan Brothers Tbk PT has scheduled investor meeting on 9 November for potential USD200mn bond issue to repay its debt.

**Rating Changes:** S&P has revised its outlook on China Aoyuan Property Group Ltd.'s (Aoyuan) “B” corporate credit rating to positive from stable. The outlook revision reflects S&P's expectation that the growth in Aoyuan's operating scale will remain stable due to the company's increased saleable resources and robust market conditions.

**Table 1: Key Financial Indicators**

	6-Oct	1W chg (bps)	1M chg (bps)		6-Oct	1W chg	1M chg
iTraxx Asiax IG	116	-3	7	Brent Crude Spot (\$/bbl)	51.64	4.87%	9.27%
iTraxx SovX APAC	33	0	-5	Gold Spot (\$/oz)	1,268.72	-3.91%	-6.02%
iTraxx Japan	56	1	5	CRB	188.78	1.55%	4.36%
iTraxx Australia	103	-1	7	GSCI	371.74	3.20%	6.76%
CDX NA IG	75	-3	4	VIX	12.99	4.84%	8.07%
CDX NA HY	104	0	-1	CT10 (bp)	1.704%	14.40	16.99
iTraxx Eur Main	74	1	8	USD Swap Spread 10Y (bp)	-15	-1	-1
iTraxx Eur XO	332	0	24	USD Swap Spread 30Y (bp)	-53	1	0
iTraxx Eur Snr Fin	100	-2	16	TED Spread (bp)	54	-6	2
iTraxx Sovx WE	22	-3	-3	US Libor-OIS Spread (bp)	41	-1	0
iTraxx Sovx CEEMEA	89	-1	-15	Euro Libor-OIS Spread (bp)	5	0	1
					<b>6-Oct</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.761	-0.29%	-0.95%
				USD/CHF	0.974	-0.83%	-0.47%
				EUR/USD	1.121	-0.15%	-0.44%
				USD/SGD	1.369	-0.32%	-1.61%
Korea 5Y CDS	40	-2	0	DJIA	18,281	-0.32%	-1.39%
China 5Y CDS	105	0	10	SPX	2,160	-0.54%	-1.22%
Malaysia 5Y CDS	118	-3	4	MSCI Asiax	558	0.08%	-0.26%
Philippines 5Y CDS	118	1	32	HSI	23,788	0.71%	0.00%
Indonesia 5Y CDS	150	-3	11	STI	2,882	0.83%	-0.51%
Thailand 5Y CDS	84	-1	5	KLCI	1,663	-0.11%	-1.60%
				JCI	5,421	-0.09%	0.90%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
5-Oct-16	UPL Corp. Ltd.	“BBB-/Baa3/BBB-”	USD500mn	5-year	CT5+200bps
4-Oct-16	Korea Housing Finance Corp.	“NR/Aa1/NR”	USD500mn	5-year	CT5+85bps
29-Sep-16	Croesus Retail Asset Management	“NR/NR/NR”	SGD50mn	Re-Tap	99.5
29-Sep-16	Kasikornbank PCL (Hong Kong)	“BBB+/Baa1/BBB+”	USD400mn	5.5-year	2.375%
29-Sep-16	Jubilant Pharma Ltd.	“BB-/NR/BB”	USD300mn	5NC3	4.875%
29-Sep-16	Television Broadcast Ltd.	“NR/NR/NR”	USD500mn	5-year	3.625%
29-Sep-16	RHB Bank	“BBB+/A3/NR”	USD500mn	5-year	CT5+137.5bps
29-Sep-16	China CITIC Bank International Ltd.	“NR/Ba2/NR”	USD500mn	Perp-NC5	4.25%

Source: OCBC, Bloomberg

**Rating Changes (cont'd):** Moody's has placed Hitachi Construction Machinery Co. Ltd.'s "A3" issuer rating on review for downgrade. The rating action follows Hitachi Construction's announcement on 3 October, 2016 to acquire 100% ownership of Bradken and reflects Moody's expectation that the acquisition, if it materializes and is largely debt-funded, would significantly increase Hitachi Construction's financial leverage, which has already been weak for its "A3" rating.

## **Credit Headlines:**

**Bank of East Asia Ltd. ("BEA"):** BEA has announced an agreement to sell 76% share of share registry business Tricor Holdings Ltd to private equity firm Permira for HKD6.5bn (USD840mn). This follows the review of its strategic investment in Tricor which commenced in February 2016. The sale of BEA's share will be in addition to the sale of the remaining ownership held by NWS Holdings Ltd. BEA is expected to recognize around HKD3.1bn from the sale and has stated that cash proceeds will be used to shore up its capital and core banking business, particularly in Hong Kong which performed better than its business in China in its most recent results. We expect proceeds will be used to progress the bank's strategic focus on its retail banking business through higher investment in internet and mobile banking channels. We maintain our neutral issuer profile. (Bloomberg, Company, OCBC)

**Sembcorp Industries ("SCI") / Sembcorp Marine ("SMM"):** SMM announced that it has extended the standstill agreement it currently has with North Atlantic Drilling, with regards to the West Rigel semi-submersible drilling rig. The West Rigel, with a contract value of ~USD568mn, was originally scheduled for delivery by 4Q2015, and had a balance of USD455mn due to SMM upon the delivery of the rig. The initial standstill agreement (announced in December 2015) was supposed to lapse in June 2016, but was extended till 02/09/16. Now, the standstill agreement has been extended for a second time to lapse on 06/01/17. The other terms remain the same. In the event that no employment of the rig is secured, nor an alternative transaction completed, SMM would enter into a JV with North Atlantic Drilling, with SMM owning 77% of the rig. Separately, with Perisai Petroleum Teknologi Bhd ("PPT")'s defaulting on its bonds, the status of the two jack-up rig contracts (original contract value of USD419.5mn in aggregate) which PPT has on order from SMM is uncertain. We will retain SCI's Issuer Profile at Neutral. (Company, OCBC)

**UOL Group Ltd. ("UOL"):** UOL announced that the tender bid for the SGD334.2mn en-bloc purchase of Raintree Gardens by its associated company, UVD (Projects) Pte Ltd, has been accepted. UVD (Projects) Pte Ltd is a 50:50 joint venture company between UOL and UIC (which is 44% owned by UOL). We see this as a move by UOL to replenish its landbank while government land sales have been decreasing. While the residential market remains subdued, the purchase price exceeds the asking price of SGD315mn, which indicates healthy interest amongst developers still. We do not currently cover UOL. (Company, OCBC)

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Ezien Hoo, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

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Co.Reg.no.:193200032W