

December 8, 2016

Credit Headlines (Page 2 onwards): CITIC Envirotech Ltd.

**Market Commentary:** The SGD swap curve was range-bound yesterday as swap rates traded within +/- 1bps across tenors. Flows in the SGD corporates were light with better buying seen in GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 202bps while the yield on JACI HY corporates decreased 2bps to 6.89%. 10y UST yield decreased 4bps to 2.35%. Treasuries have strengthened with investors positioning themselves for policy announcements from the Fed and ECB next week, with the former likely to hike rates, while the latter potentially extending its QE program.

**New Issues:** China Minsheng Banking Corp. Ltd. has priced a USD1.439bn non-callable for 5-year AT1 at 4.95%, tightening from its initial guidance at 5.25%. Country Garden has priced a USD350mn 10Put5 bond at 5.625% with expected issue ratings of "NR/Ba1/BB+".

**Rating Changes:** S&P downgraded PT Gajah Tunggal Tbk.'s corporate credit rating to "CCC+" from "B-" with negative outlook. The downgrade reflects rising refinancing risk related to the company's USD500mn senior secured notes that mature in early February 2018. Additionally, the negative outlook also reflects increasing obstacles for the company to successfully refinance its debt as the maturity draws closer. Moody's upgraded Aristocrat Leisure Ltd.'s corporate family rating to "Ba1" from "Ba2" with stable outlook. The rating upgrade reflects the very strong operational performance delivered by Aristocrat across all of its product lines and geographical segments in FY2016.

Table 1: Key Financial Indicators

	8-Dec	1W chg (bps)	1M chg (bps)		8-Dec	1W chg	1M chg
iTraxx Asiax IG	119	-7	4	Brent Crude Spot (\$/bbl)	53.00	5.01%	14.84%
iTraxx SovX APAC	37	-4	2	Gold Spot (\$/oz)	1,175.68	0.34%	-7.84%
iTraxx Japan	54	-1	-2	CRB	190.85	0.81%	4.01%
iTraxx Australia	104	-5	0	GSCI	383.42	1.64%	8.64%
CDX NA IG	68	-6	-8	VIX	12.22	-8.33%	-34.69%
CDX NA HY	106	1	2	CT10 (bp)	2.351%	-9.72	49.62
iTraxx Eur Main	74	-5	1	USD Swap Spread 10Y (bp)	-15	1	-2
iTraxx Eur XO	315	-23	-10	USD Swap Spread 30Y (bp)	-54	1	1
iTraxx Eur Snr Fin	100	-7	4	TED Spread (bp)	46	0	-6
iTraxx Sovx WE	23	0	4	US Libor-OIS Spread (bp)	32	0	-4
iTraxx Sovx CEEMEA	92	-9	2	Euro Libor-OIS Spread (bp)	4	0	0
					8-Dec	1W chg	1M chg
				AUD/USD	0.750	1.11%	-3.41%
				USD/CHF	1.007	0.41%	-2.84%
				EUR/USD	1.076	0.95%	-2.39%
				USD/SGD	1.416	0.74%	-2.06%
Korea 5Y CDS	43	-7	-1	DJIA	19,550	2.23%	7.06%
China 5Y CDS	112	-5	5	SPX	2,241	1.93%	5.15%
Malaysia 5Y CDS	141	-20	18	MSCI Asiax	527	-0.04%	-2.01%
Philippines 5Y CDS	110	-10	-1	HSI	22,801	0.05%	-0.47%
Indonesia 5Y CDS	158	-19	6	STI	2,960	1.88%	4.95%
Thailand 5Y CDS	85	-6	-6	KLCI	1,632	0.82%	-1.88%
				JCI	5,265	2.26%	-3.75%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
7-Dec-16	China Minsheng Banking Corp.	"NR/NR/NR"	USD1.439bn	Perp-NC5	4.95%
7-Dec-16	Country Garden	"NR/Ba1/BB+"	USD350mn	10Put5	5.625%
6-Dec-16	Yunnan Energy Investment (HK) Co	"NR/NR/BBB"	USD310mn	3-year	CT3+245bps
6-Dec-16	Yunnan Energy Investment (HK) Co	"NR/NR/BBB"	USD130mn	5-year	CT5+265bps
6-Dec-16	Olam International Ltd	"NR/NR/NR"	USD175mn	5-year	CT5+199bps
5-Dec-16	Zhenjiang Transportation Industry	"BB/NR/NR"	USD160mn	3-year	5.5%
1-Dec-16	Ronshine China Holdings Ltd.	"B-/B3/B+"	USD175mn	3put2	7.5%
30-Nov-16	Guangzhou Industrial Inv. Fund	"BBB+/NR/A-"	USD200mn	5-year	CT5+205bps
30-Nov-16	Shinhan Bank.	"BBB+/Baa1/BBB+"	USD500mn	10NC5	CT5+215bps

Source: OCBC, Bloomberg

## Credit Headlines:

**CITIC Envirotech Ltd. ("CEL"):** A consortium comprised of CEL, Guangdong Keying Zhiran Environmental Co. Ltd ("Guangdong KZ") and Zhongsheng Technology (Jiangsu) Co. Ltd ("Zhongsheng") was awarded a RMB3.2bn Public-Private-Partnership in Shantou Chaonan in the Guangdong Province of China. Guangdong KZ is a local government-backed environmental company set up by the Shantou Printing and Dyeing Association while Zhongsheng is a subsidiary of SGX-listed Sunpower Group. Phase 1 of the project involves the investment of RMB2bn to design and build a 40,000 m<sup>3</sup>/day industrial wastewater treatment plant, a 30,000 m<sup>3</sup>/day recycling plant, a cogeneration plant and related ancillary assets. A joint venture company ("JVC") will be formed between CEL, Guangdong KZ and Chaonan District Dyeing Park Management Company (owned by the local government) to undertake the project. CEL will hold 51% of the JVC, with the other two parties at 24% and 25% respectively. Investments in the JVC will be funded by proceeds from CEL's USD perpetuals raised in end-2015 and bank financing. We expect CEL's headline gross debt-to-equity levels to increase to at least 0.5x (9M2016: 0.4x) and are currently reviewing CEL's issuer profile for changes. (Company, OCBC)

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