

October 12, 2017

Credit Headlines (Page 2 onwards): Banyan Tree Holdings Ltd, United Overseas Bank Ltd, Gallant Venture Ltd

Market Commentary: The SGD swap curve traded mixed yesterday, with swap rates trading 1-4bps higher across most tenors. The 5-year to 12-year tenors, as well as the 20-year tenor, traded little changed. Flows in SGD corporates were heavy, with better buying seen in CAPLSP 3.08%'27s, and mixed interest seen in HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corp fell 1bps to 181bps. Similarly, the yield on JACI HY Corp fell 1bps to 6.85%. 10Y UST yields fell 1bps to 2.35% as Fed minutes revealed that officials debated on the nature of inflation, with several policy makers looking for stronger evidence of price gains before supporting another interest hike this year.

New Issues: CITIC Envirotech Ltd has priced a SGD240mn Perp NC3 at 3.9%, tightening from initial guidance of 4.3% area. United Overseas Bank Ltd has priced a USD650mn Perp NC6 AT1 at 3.875%, tightening from initial guidance of 4.15% area. The expected issue ratings are 'NR/Baa1/BBB'. China Singyes Solar Technologies Holdings Ltd has priced a USD160mn 364-day bond (guaranteed by some of its non-PRC incorporated subsidiaries) at 6.75%, tightening from initial guidance of low 7% area. Sumitomo Mitsui Banking Corporation has priced a two-tranche deal, with the USD750mn 2-year fixed rate bond priced at CT2+57bps, tightening from initial guidance of CT2+70-75bps; and the USD750mn 2-year floating rate bond priced at 3mL+31bps, with the initial guidance at Libor equivalent. The expected issue ratings are 'NR/A1/NR'. Sumitomo Mitsui Financial Group Inc has priced a three-tranche deal, with the USD1.25bn 5-year fixed rate bond priced at CT5+82bps, tightening from initial guidance of CT5+105bps area; the USD500mn floating rate bond priced at 3mL+74bps, with the initial guidance at Libor equivalent; and the USD750mn 10-year bond priced at CT10+100bps, tightening from initial guidance of CT10+115bps area, which was revised from CT10+120bps area. The expected issue ratings are 'NR/A1/NR'. Canara Bank has priced a USD200mn re-tap of its CBKIN 3.25%'22s at CT5+119bps, tightening from initial guidance of CT5+135bps. The issue ratings are 'BBB-/Baa3/NR'.

Table 1: Key Financial Indicators

	12-Oct	1W chg (bps)	1M chg (bps)		12-Oct	1W chg	1M chg
iTraxx Asiax IG	78	0	3	Brent Crude Spot (\$/bbl)	56.63	-0.65%	4.35%
iTraxx SovX APAC	16	-2	-2	Gold Spot (\$/oz)	1,292.79	1.94%	-2.93%
iTraxx Japan	49	4	6	CRB	183.50	1.44%	1.15%
iTraxx Australia	69	1	2	GSCI	399.64	1.50%	2.83%
CDX NA IG	55	1	-2	VIX	9.85	3.58%	-6.90%
CDX NA HY	108	0	1	CT10 (bp)	2.345%	-0.35	17.73
iTraxx Eur Main	55	0	3	USD Swap Spread 10Y (bp)	-5	0	0
iTraxx Eur XO	242	-3	16	USD Swap Spread 30Y (bp)	-33	0	2
iTraxx Eur Snr Fin	59	0	9	TED Spread (bp)	28	-1	1
iTraxx Sovx WE	5	-1	0	US Libor-OIS Spread (bp)	13	0	-3
iTraxx Sovx CEEMEA	40	2	-3	Euro Libor-OIS Spread (bp)	3	0	0
					12-Oct	1W chg	1M chg
				AUD/USD	0.781	0.14%	-2.66%
				USD/CHF	0.973	0.57%	-1.27%
				EUR/USD	1.187	1.33%	-0.84%
				USD/SGD	1.354	0.78%	-0.48%
Korea 5Y CDS	70	0	3	DJIA	22,873	0.93%	3.41%
China 5Y CDS	58	-1	0	SPX	2,555	0.69%	2.35%
Malaysia 5Y CDS	65	0	-1	MSCI Asiax	684	1.51%	1.94%
Philippines 5Y CDS	65	1	5	HSI	28,390	0.04%	1.49%
Indonesia 5Y CDS	100	0	3	STI	3,298	1.11%	1.93%
Thailand 5Y CDS	49	0	-2	KLCI	1,759	0.00%	-1.71%
				JCI	5,883	-1.15%	0.18%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
11-Oct-17	CITIC Envirotech Ltd	Not Rated	SGD240mn	Perp NC3	3.9%
11-Oct-17	United Overseas Bank Ltd	'NR/Baa1/BBB'	USD650mn	Perp NC6	3.875%
11-Oct-17	China Singyes Solar Technologies Holdings Ltd	Not Rated	USD160mn	364-day	6.75%
11-Oct-17	Sumitomo Mitsui Banking Corporation	'NR/A1/NR'	USD750mn	2-year	CT2+57bps
11-Oct-17	Sumitomo Mitsui Banking Corporation	'NR/A1/NR'	USD750mn	2-year	3mL+31bps
11-Oct-17	Sumitomo Mitsui Financial Group Inc	'NR/A1/NR'	USD1.25bn	5-year	CT5+82bps
11-Oct-17	Sumitomo Mitsui Financial Group Inc	'NR/A1/NR'	USD500mn	5-year	3mL+74bps
11-Oct-17	Sumitomo Mitsui Financial Group Inc	'NR/A1/NR'	USD750mn	10-year	CT10+100bps
11-Oct-17	Canara Bank	'BBB-/Baa3/NR'	USD200mn	CBKIN 3.25%'22s	CT5+119bps
9-Oct-17	CapitaLand Treasury Ltd	Not Rated	SGD500mn	10-year	3.08%

Source: OCBC, Bloomberg

New Issues (Cont'd): CDBL Funding 1 has scheduled investor meetings for potential USD bond issuance (guaranteed by CDB Aviation Lease Finance Designated Activity Co and supported with a keepwell and asset purchase deed by China Development Bank Financial Leasing Co) from 12 Oct. The expected issue ratings are 'NR/A2/A+'. Tewoo Group No 4 Ltd has scheduled investor meetings for potential USD 359-day bond issuance (guaranteed by Tewoo Group Co) from 12 Oct.

Rating Changes: S&P has upgraded Ausdrill Ltd's (Ausdrill) issuer credit rating to 'BB-' from 'B+'. The outlook is stable. At the same time, S&P upgraded the ratings on Ausdrill Finance Pty Ltd's senior unsecured and subordinated notes to 'BB-' from 'B+', while raising the issue ratings on its secured, syndicated bank loan to 'BB+' from 'BB'. The rating action reflects S&P's expectation that Ausdrill's new contracts, cost management and increasing earnings will benefit the company's credit metrics. Moody's has assigned CDBL Funding 1's medium term note (MTN) program a senior unsecured program rating of 'A2'. The outlook is stable. CDBL Funding 1 is owned by CDB Aviation Lease Finance Designated Activity Company (CDBALF), which is in turn wholly owned by China Development Bank Financial Leasing (CDB Financial Leasing). The MTNs are guaranteed by CDBALF and supported by a keepwell and asset purchase deed between CDBL Funding 1, CDBALF, CDB Financial Leasing and the MTN program trustee. There is a one-notch difference between the 'A2' program rating and the 'A1' issuer rating of CDB Financial leasing, due to the potential different priority of claims for noteholders and the uncertainties over the keepwell provider to transmit resources offshore due to China's capital account regulations.

Credit Headlines:

Banyan Tree Holdings Ltd ("BTH"): It is reported that BTH will open a new eco-friendly resort in Mandai, Singapore by 2023. This would be BTH's first resort in Singapore and comprise 400-rooms. The resort will form part of an integrated nature and wildlife project in Mandai, which includes the Singapore Zoo, Night Safari, River Safari and a new bird park (targeted opening 2020) and a Rainforest Park (targeted opening 2021). The resort will be owned by Mandai Park Holdings ("MPH"), which is in turn owned by Temasek Holdings. As BTH would be an operator (rather than owner), we expect minimal capital expenditure to be taken on the part of BTH. This transaction is, in our view, credit neutral to BTH's balance sheet though this provides a new source of future income as the company diversifies beyond its luxury product offerings. (Business Times, OCBC)

United Overseas Bank Ltd ("UOB"): Pricing for UOB's USD650mn Perp NC6 AT1 has taken advantage of the current strong technical environment. Swapping into SGD, the new paper has a yield to call of 3.37% which looks expensive compared to the shorter dated UOBSP 4.75% PerpC19 and UOB 4.0% PerpC21, especially with the lower reset spread of 1.794% in 2023. We see prices in general within the SGD market as heavy and limited upside from here on in, notwithstanding the lack of catalysts for a correction. Within the SGD AT1 space, we still like European-linked names (BAERVX 5.9% PerpC20, BAERVX 5.75% PerpC22 and HSBC 4.7% PerpC22) offering better value despite the more focused business (Julius Baer Group Ltd) or holdco structure (HSBC Holdings Ltd). (Company, OCBC)

Gallant Venture Ltd ("GALV"): Bondholders holding SGD190.5mn of the GALV 7.0% '18s (representing 82.83% of the bonds outstanding) have agreed to tender their bonds outstanding to the issuer, subsequent to a tender offer exercise by GALV. Additionally, holders holding SGD192.25mn (representing 83.59% of the bonds outstanding) have agreed to the consent solicitation exercise ("CSE") for the issuer to build in a call feature to the bond documentation, thereby allowing issuer to call on the bonds. Based on the voting instructions received, the quorum for the meeting is expected to be met and that the CSE is very likely to be passed. This allows the issuer to exercise its call on the bonds on a 100% basis. Management expects the settlement date for the Consent Fee, Early Tender Premium and Purchase Price to be on 24/10/17. Post issuer calling on this sole bond outstanding, we would cease coverage of GALV. (Company, OCBC)

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