

December 13, 2017

**Credit Headlines (Page 2 onwards):** Industry Outlook – Financial Institutions

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the 1-year to 4-year tenors trading little changed to 1bps higher, while the 5-year to 30-year tenors traded 1-2bps lower. We did not observe any flows in SGD corporates yesterday. In the broader dollar space, the spread on JACI IG Corp traded little changed at 181bps, while the yield on JACI HY Corp rose 2bps to 6.95%. 10Y UST yields rose 1bps to 2.40%, as stronger-than-expected PPI data pushed yields upwards, but retreated following a solid 30Y UST auction.

**New Issues:** Yangzhou Urban Construction State-owned Assets Holding (Group) Co Ltd has priced a USD300mn 3-year bond at CT3+245bps, tightening from initial guidance of CT3+280bps area. The expected issue ratings are 'BBB/NR/BBB'. CIFI Holdings (Group) Co Ltd has priced a USD300mn Perp NC3 (Call date: Feb 2021) at 5.375%, in line with final guidance. The expected issue ratings are 'NR/B1/NR'. Shangrao City Construction Investment Development Group Co Ltd has scheduled investor meetings for potential USD bond issuance from 13 Dec. The expected issue ratings are 'NR/NR/BB+'. Luso International Banking Ltd has scheduled investor meetings for potential USD 10NC5.5 bond issuance from 13 Dec.

**Rating Changes:** Moody's has affirmed Commerzbank AG's (Commerzbank) 'A2' deposit and senior senior unsecured debt ratings, its 'Baa1' senior unsecured debt and issuer ratings, and its 'Ba1' subordinated debt ratings. The outlook on the bank's long-term deposit and senior senior unsecured debt ratings have been changed to positive from stable, while the rating on the bank's senior unsecured debt and issuer ratings were maintained at stable. The rating action reflects the improvement in Commerzbank's solvency profile and its reduced level of reliance on market funding as a result of its continued downsizing.

**Table 1: Key Financial Indicators**

	13-Dec	1W chg (bps)	1M chg (bps)		13-Dec	1W chg	1M chg
iTraxx Asiax IG	70	-4	-11	Brent Crude Spot (\$/bbl)	63.81	4.23%	1.03%
iTraxx SovX APAC	14	0	-2	Gold Spot (\$/oz)	1,242.84	-1.63%	-2.77%
iTraxx Japan	46	-1	-3	CRB	183.41	-2.16%	-4.20%
iTraxx Australia	62	-2	-7	GSCI	418.48	-1.01%	-2.34%
CDX NA IG	50	-2	-6	VIX	9.92	-12.44%	-13.74%
CDX NA HY	108	0	1	CT10 (bp)	2.398%	5.90	-0.80
iTraxx Eur Main	47	-1	-5	USD Swap Spread 10Y (bp)	0	-2	2
iTraxx Eur XO	233	-3	-12	USD Swap Spread 30Y (bp)	-20	0	5
iTraxx Eur Snr Fin	45	-1	-6	TED Spread (bp)	26	4	7
iTraxx Sovx WE	3	0	0	US Libor-OIS Spread (bp)	16	2	6
iTraxx Sovx CEEMEA	40	-4	-13	Euro Libor-OIS Spread (bp)	1	-1	-2
					<b>13-Dec</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.757	0.03%	-0.75%
				USD/CHF	0.991	-0.11%	0.53%
				EUR/USD	1.175	-0.43%	0.67%
				USD/SGD	1.352	-0.22%	0.72%
Korea 5Y CDS	56	-2	-16	DJIA	24,505	1.34%	4.54%
China 5Y CDS	53	-3	-9	SPX	2,664	1.31%	3.07%
Malaysia 5Y CDS	61	-3	-8	MSCI Asiax	692	1.61%	-1.22%
Philippines 5Y CDS	61	-3	-8	HSI	28,781	1.97%	-1.38%
Indonesia 5Y CDS	91	-4	-11	STI	3,462	1.92%	1.26%
Thailand 5Y CDS	46	-2	-4	KLCI	1,726	0.47%	-0.64%
				JCI	6,032	0.53%	0.18%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Dec-17	Yangzhou Urban Construction State-owned Assets Holding (Group) Co Ltd	'BBB/NR/BBB'	USD300mn	3-year	CT3+245bps
12-Dec-17	CIFI Holdings (Group) Co Ltd	'NR/B1/NR'	USD300mn	Perp NC3	5.375%
11-Dec-17	Rural Electrification Corporation Ltd	'NR/Baa3/BBB-'	USD400mn	3-year	CT3+115bps
7-Dec-17	Wuhan State-Owned Assets Management Limited Company	'NR/NR/A-'	USD300mn	3-year	CT3+195bps
7-Dec-17	Xinxing Industry Investment Company Limited	'NR/NR/BBB'	USD300mn	3-year	CT3+247.5bps
7-Dec-17	Wanda International Funding Pte Ltd	Not Rated	USD100mn	3NC1	8.5%
7-Dec-17	China CITIC Bank Corporation Ltd	'BBB+/Baa2/NR'	USD700mn	3-year	3mL+90bps
7-Dec-17	China CITIC Bank Corporation Ltd	'BBB+/Baa2/NR'	USD300mn	3-year	CT3+107.5bps
7-Dec-17	China CITIC Bank Corporation Ltd	'BBB+/Baa2/NR'	USD550mn	5-year	3mL+100bps
7-Dec-17	China CITIC Bank Corporation Ltd	'BBB+/Baa2/NR'	USD250mn	5-year	CT5+110bps

Source: OCBC, Bloomberg

**Rating changes (Cont'd):** Moody's has affirmed Landesbank Baden-Wuerttemberg's (LBBW) 'A1' senior unsecured ratings. The outlook remains at negative. The rating action is a part of Moody's affirmation of 22 German banks, which follows the agreement to an amendment to the EU's Bank Recovery and Resolution Directive. The amendment requires member states to introduce a class of non-preferred senior debt, and this is expected to be credit negative for investors in senior unsecured bonds issued by German Banks. Moody's has affirmed Toshiba Corporation's (Toshiba) 'Caa1' corporate family rating and senior secured debt ratings, as well as its 'Ca1' subordinated debt ratings. The outlook has been revised to stable from negative. The rating action follows Toshiba's issuance of new shares, which enables it to pay off its obligations relating to its US nuclear projects and significantly improve its net worth position. Moody's has affirmed Novacare Solutions Partnership's 'A1' senior secured rating. The outlook is stable. The rating action reflects Novacare Solutions Partnership's Mater Hospital Project's stable and predictable cash flow and the continued stability in the project's operating performance. However, the rating on Novacare Solutions Partnership, and Novacare Services Pty Ltd (its partner in the Mater Hospital Contract) is constrained by its high financial leverage and the predetermined nature of its revenue. Moody's has upgraded Indika Energy Tbk's (PT) (Indika) corporate family rating and ratings on its senior secured notes to 'Ba3' from 'B2'. The outlook is stable. The rating action follows the completion of Indika's acquisition of an additional 45% stake in Kideco Jaya Agung (PT), which improves Indika's operating profile as it controls the steady cash flow of Kideco. However, there is a high degree of event risk as Kideco's coal contract of work expires in 2023, and negotiations can only commence in 2023. Fitch has also upgraded the Issuer Default Ratings on Indika and the ratings on its senior notes to 'B+' from 'B-', while removing the ratings from Rating Watch Positive. The outlook on the ratings are positive. Moody's has affirmed Aristocrat Leisure Ltd's (Aristocrat) 'Ba3' corporate family rating, while affirming the 'Ba1' rating on the senior secured term loan facilities and revolving credit facility of Aristocrat International Pty Limited. The outlook is stable. The rating action follows Aristocrat's announcement that it has entered into a binding agreement to acquire 100% of Big Fish Game Inc (Big Fish). The rating action reflects Moody's expectation that management will reduce inefficiencies to improve margin and post strong operating results, as well as the fact that Aristocrat's low levels of leverage will allow it to absorb the largely debt-funded acquisition of Big Fish while remaining within the tolerance levels for the 'Ba1' rating. Fitch has upgraded Anton Oilfield Services Group's (Anton) Issuer Default Rating (IDR) and senior unsecured rating to 'B-' from 'CCC'. At the same time, Fitch has assigned a 'B-' rating on Anton's 9.75% bonds that are maturing in 2020. The outlook is stable. The rating action follows the completion of Anton's new bond issuance which alleviates its refinancing burden. Fitch has assigned Shangrao City Construction Investment Development Group Co Ltd (SCID) Issuer Default Ratings of 'BB+'. The 'BB+' rating was also assigned to its senior unsecured bonds. The outlook is stable. The rating is credit-linked to the creditworthiness of its sponsor, Shangrao municipality, as there is a high likelihood that SCID would receive extraordinary government support if needed. Fitch has upgraded PLDT Inc's (PLDT) Issuer Default Ratings to 'BBB+' from 'BBB'. The outlook is stable. The rating action follows the upgrade of Philippines' Country Ceiling to 'BBB'. The rating action also reflects PLDT's leading position in the Philippines, its strategy change to focus on profitability rather than market share and manageable leverage, but is constrained by its high capex.

### Credit Headlines:

**Industry Outlook - Financial Institutions:** Further to the rating actions mentioned above by Moody's on German banks, the amendment to the EU's Bank Recovery and Resolution Directive seeks to formalize a new layer of loss absorbing capital in bank capital structures in EU member countries domestic banking regulations. The form of this new layer of capital differs between countries and in the context of Germany, the form is likely to result in certain existing senior unsecured debt issues that meet certain criteria ranking pari passu with future issuance of loss absorbing junior senior debt. In Moody's view, this means that government support for these existing senior unsecured debt issues could be less forthcoming and therefore resulting in a lower rating once the new laws are implemented. (OCBC, Moody's)

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