

January 13, 2017

Credit Headlines (Page 2 onwards): China Vanke Co Ltd.

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates falling 4-6bps across all tenors. Flows in the SGD corporates were heavy, with better buying seen in MAPLSP 5.13%'49s, UOBSP 4.9%'49s, and mixed interest in ARTSP 4.68%'49s, GENSSP 5.13%'49s, GRCHAR 6%'17s, OLAMSP 5.8%'19s. In the broader dollar space, the spread on JACI IG Corporates rose 2bps to 198bps, while the yield on JACI HY Corporates fell 2bps to 6.78%. 10y UST yield changed little, falling 1bps to close at 2.36% yesterday. 10y UST will be headed for its first four-week advance since July as investors lose confidence that President-elect Trump's first priorities will include fiscal stimulus aimed at spurring economic growth.

New Issues: The Republic of Korea priced a USD1bn 10-year bond at CT10+55bps, tightening from initial guidance of CT10+70bps. The expected issue ratings are 'AA/Aa2/AA-'. New Rose Investments Ltd. (guaranteed by SEA Holdings Ltd) priced a USD200mn 3-year bond at 4.5%, tightening from initial guidance of 4.875%. R&F Properties has launched a retap of its \$265mn 5.75% 5NC3 notes seeking to sell an additional USD460mn to be issued on 13 January. Changchun Urban International Ltd. launched a new USD 3-year bond deal, with initial guidance of CT3+240bps. The expected issue ratings are 'NR/Baa1/NR'. Mapletree Investments Pte. Ltd. priced a SGD625mn Perpetual NC5 issue at 4.5%, tighter than initial guidance of 4.7%.

Rating Changes: S&P upgraded Atlas Iron Ltd.'s corporate credit and issue ratings to 'B-' from 'CCC-'. The upgrade reflects the turnaround in Atlas Iron's financial position since early last year, as they were able to benefit from rising iron ore prices. Atlas Iron's earnings and cash flows have increased materially during the first half of the year ending June 30, 2017, enabling the company to partially prepay some of its debt.

Table 1: Key Financial Indicators

	13-Jan	1W chg (bps)	1M chg (bps)		13-Jan	1W chg	1M chg
iTraxx Asiax IG	117	2	-4	Brent Crude Spot (\$/bbl)	55.99	-1.94%	0.48%
iTraxx SovX APAC	34	0	-2	Gold Spot (\$/oz)	1,194.72	1.88%	3.12%
iTraxx Japan	55	-1	5	CRB	194.97	0.65%	0.78%
iTraxx Australia	98	0	-4	GSCI	400.68	0.71%	0.95%
CDX NA IG	66	2	-1	VIX	11.54	-1.11%	-9.28%
CDX NA HY	106	0	0	CT10 (bp)	2,372%	-4.71	-9.91
iTraxx Eur Main	71	2	0	USD Swap Spread 10Y (bp)	-13	0	2
iTraxx Eur XO	294	7	-1	USD Swap Spread 30Y (bp)	-48	1	2
iTraxx Eur Snr Fin	90	3	-3	TED Spread (bp)	51	3	9
iTraxx Sovx WE	19	-1	0	US Libor-OIS Spread (bp)	35	1	3
iTraxx Sovx CEEMEA	81	6	-8	Euro Libor-OIS Spread (bp)	3	0	-1
					13-Jan	1W chg	1M chg
				AUD/USD	0.751	2.81%	0.08%
				USD/CHF	1.010	0.75%	0.17%
				EUR/USD	1.062	0.80%	-0.09%
				USD/SGD	1.427	0.86%	-0.20%
Korea 5Y CDS	49	3	7	DJIA	19,891	-0.04%	-0.10%
China 5Y CDS	115	2	-1	SPX	2,270	0.06%	-0.06%
Malaysia 5Y CDS	132	2	-9	MSCI Asia	537	1.76%	1.65%
Philippines 5Y CDS	102	-1	-8	HSI	22,908	1.80%	2.06%
Indonesia 5Y CDS	153	3	-7	STI	3,014	1.74%	1.99%
Thailand 5Y CDS	76	1	-4	KLCI	1,679	0.18%	2.02%
				JCI	5,293	-0.62%	-0.02%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Jan-17	Republic of Korea	"AA/Aa2/AA-"	USD1bn	10-year	CT10+55bps
12-Jan-17	New Rose Investments Ltd.	"NR/NR/NR"	USD200mn	3-year	4.50%
11-Jan-17	Standard Chartered Plc	"BB-/Ba1/BB+"	USD1bn	Perp NC6	7.75%
11-Jan-17	Adani Ports & Special Economic Zone Ltd.	"BBB-/Baa3/BBB-"	USD500mn	5-year	CT5+215bps
11-Jan-17	Taikang Insurance group Inc.	"NR/NR/BBB+"	USD800mn	5-year	CT5+168bps
11-Jan-17	ORIX Corporation	"A-/NR/A-"	USD500mn	5-year	CT5+135bps
11-Jan-17	ORIX Corporation	"A-/NR/A-"	USD250mn	10-year	CT10+160bps
10-Jan-17	Nissan Motor Acceptance Corp	"NR/NR/NR"	USD750mn	3-year	CT3+80bps
10-Jan-17	Nissan Motor Acceptance Corp	"NR/NR/NR"	USD250mn	3-year	3mL+58bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd):

Moody's downgraded Imperial Pacific International Holdings Ltd.'s (Imperial Pacific) corporate family rating to 'B3' from 'B2', and assigned a 'B2' senior secured rating to the proposed USD bonds to be issued by Imperial Pacific International (CNMI), LLC and guaranteed by Imperial Pacific. The downgrade reflects the increased uncertainty over the company's ability to secure sufficient funding to complete its Grand Marina project in view of the delay in the opening of the casino to March 2017. The outlook is negative. Moody's assigned a 'B1' corporate family rating to Reward Science and Technology Industry Group Co., Ltd. (Reward) with a stable outlook. In addition, Moody's assigned a provisional 'B1' rating to the proposed senior notes to be issued by Reward International Investment Limited, which will be guaranteed by Reward. The rating action reflects its vertically integrated dairy supply chain which helps to ensure product safety, the increasing level of national penetration for its cleaning products, steady operating cash flow generation, and its improving financial structure. Moody's upgraded SME Development Bank of Thailand's (SME Bank) standalone baseline credit assessment to 'B3' from 'Caa1'. In addition, Moody's affirmed SME Bank's foreign currency deposit rating at 'Baa2'. The upgrade of SME Bank's BCA to 'B3' from 'Caa1' reflects the bank's weak but improving solvency profile, following the recent capital increases and reduction in gross nonperforming loans (NPLs).

Credit Headlines:

China Vanke Co Ltd ("VNRLE"): VNRLE's second largest shareholder, state-owned China Resources Group, will sell its entire 15.3% stake to Shenzhen Metro (a Shenzhen government state-owned entity). The deal is subject to regulatory approvals. Earlier, management had attempted to bring in Shenzhen Metro as a "white knight" to thwart attempts by its major shareholder (ie: Baoneng) from advancing its stake in VNRLE. As part of the plan, VNRLE intended to issue new shares to Shenzhen Metro as purchase consideration for development projects held by the latter. This plan would have been dilutive to other shareholders and was subsequently abandoned in December 2016 after facing shareholder rejection. The intention of Baoneng (~25% stake) remains unknown whilst China Evergrande Group (the 3rd largest shareholder with ~14% stake) had publicly stated that it has no intention to control VNRLE. We see this as a strong sign that the shareholder tussle is finally resolving and expect the rating agencies to lift their Negative outlook on VNRLE in the near term. We maintain a Neutral issuer profile on VNRLE and have a Neutral bond rating on the VNRLE 3.275 '17. (South China Morning Post, OCBC)

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