

Jun 13, 2017

Credit Headlines (Page 2 onwards): China Vanke Co., Ltd, Hongkong Land Holdings Ltd

Market Commentary: The SGD swap curve bear steepened yesterday, with swap rates trading 1-4bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%'49s, STHSP 3.95%'49s. In the broader dollar space, the spread on JACI IG corporates changed little at 197bps. Similarly, the yield on JACI HY corporates changed little at 6.79%. 10y UST yields rose 1bps to 2.21%, as markets continue to digest soft 10y auctions and hawkish comments from Bank of Canada's Wilkins weighed on Canadian bonds.

New Issues: Korea East-West Power Co. Ltd priced a USD500mn 5-year bond at CT5+102.5bps, tightening from initial guidance of CT5+125bps. The expected issue ratings are 'NR/Aa2/AA-'. Shui On Development (Holding) Ltd. priced a USD600mn Perp NC5 (guaranteed by Shui On Land Ltd.) at 6.4%, tightening from initial guidance of 6.7%. PT Japfa Comfeed Indonesia Tbk set final guidance of a USD100mn re-tap of the existing JPFAIJ 5.5%'22s at 100.25. The expected issue ratings at 'BB-/NR/BB-'. Soechi Capital Pte Ltd. set final guidance for its 5NC3 bond at 8.375%. The expected issue ratings are 'NR/B1/B+'. Brightoil Petroleum (Holdings) Ltd. scheduled investor roadshows from 13 June for potential USD bond issuance. Vedanta Resources PLC in planning for a potential USD750mn – USD1bn bond issue. Lippo Malls Indonesia Retail Trust priced a SGD120mn 6.6% Perp NC5.5 at 6.6%.

Rating Changes: S&P affirmed China-based property developer China Vanke Co. Ltd.'s (Vanke) 'BBB+' corporate credit rating. In addition, S&P revised the rating outlook to stable from negative. The rating action reflects S&P's view that the company will maintain its competitive position, strategy, operations, and financial discipline over the next 12-24 months. S&P takes the view that the shareholder and management power tussle at Vanke has reached a highly certain conclusion, with Shenzhen Metro Group becoming the largest and defacto controlling shareholder.

Table 1: Key Financial Indicators

	13-Jun	1W chg (bps)	1M chg (bps)		13-Jun	1W chg	1M chg
iTraxx Asiax IG	85	-2	-4	Brent Crude Spot (\$/bbl)	48.47	-3.29%	-4.66%
iTraxx SovX APAC	18	-1	-3	Gold Spot (\$/oz)	1,265.53	-2.23%	2.82%
iTraxx Japan	41	-1	-2	CRB	175.93	-0.77%	-3.17%
iTraxx Australia	84	-2	3	GSCI	368.35	-1.65%	-2.94%
CDX NA IG	60	0	-2	VIX	11.46	13.80%	10.19%
CDX NA HY	108	0	0	CT10 (bp)	2.213%	6.76	-11.30
iTraxx Eur Main	58	-4	-4	USD Swap Spread 10Y (bp)	-6	-1	3
iTraxx Eur XO	240	-9	-13	USD Swap Spread 30Y (bp)	-44	0	4
iTraxx Eur Snr Fin	64	-8	-4	TED Spread (bp)	25	0	-6
iTraxx Sovx WE	7	-1	-1	US Libor-OIS Spread (bp)	9	-1	-6
iTraxx Sovx CEEMEA	47	2	0	Euro Libor-OIS Spread (bp)	3	0	0
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					13-Jun	1W chg	1M chg
				AUD/USD	0.756	0.69%	1.96%
				USD/CHF	0.970	-0.76%	2.80%
				EUR/USD	1.119	-0.75%	1.98%
				USD/SGD	1.384	-0.29%	1.06%
Korea 5Y CDS	53	-2	-6	DJIA	21,236	0.24%	1.62%
China 5Y CDS	69	-5	-9	SPX	2,429	-0.28%	1.61%
Malaysia 5Y CDS	90	-6	-13	MSCI Asiax	623	-0.54%	2.49%
Philippines 5Y CDS	76	-3	-2	HSI	25,777	-0.85%	2.47%
Indonesia 5Y CDS	117	-4	-12	STI	3,255	0.61%	0.00%
Thailand 5Y CDS	56	-2	0	KLCI	1,791	0.16%	0.85%
				JCI	5,701	-0.12%	0.45%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Jun-17	Lippo Malls Indonesia Retail Trust	Not Rated	SGD120mn	Perp NC5.5	6.6%
12-Jun-17	Korea East-West Power Co. Ltd	"NR/Aa2/AA-"	USD500mn	5-year	CT5+102.5bps
12-Jun-17	Shui On Development (Holding) Ltd.	Not Rated	USD600mn	Perp NC5	6.4%
12-Jun-17	PT Japfa Comfeed Indonesia Tbk (re-tap)	"BB-/NR/BB-"	USD100mn	JPFAIJ 5.5%'22s	100.25
8-Jun-17	GLL IHT Pte. Ltd.	Not Rated	SGD170mn	5-year	3.85%
8-Jun-17	AMTD Group Company Ltd	Not Rated	USD200mn	Perp NC3	7.625%
8-Jun-17	FWD Group Ltd.	Not Rated	USD500mn	Perp NC5	6.625%
7-Jun-17	Starhub Ltd	Not Rated	SGD200mn	Perp NC5	3.95%
7-Jun-17	Far East Horizon Ltd	Not Rated	USD300mn	Perp NC5	4.35%

Source: OCBC, Bloomberg

Rating Changes (cont'd): S&P downgraded China-based oil and gas producer MIE Holdings Corp.'s (MIE) corporate credit rating and issue rating on the company's outstanding senior unsecured notes to 'CC' from 'CCC'. The rating outlook is negative. The rating action follows MIE's announcement of a cash tender offer for its senior unsecured notes due 2018 and 2019. S&P announced that they view the offer as a distressed exchange tantamount to an immediate default on conclusion because the offer is at a significant discount to the par value of the outstanding notes. S&P downgraded Hyakugo Bank Ltd.'s (Hyakugo) stand-alone credit profile to 'BBB+' from 'A-' after adjusting downward the assessment of the bank's business position to moderate from adequate. S&P subsequently withdrew the ratings at the bank's request.

Credit Headlines:

China Vanke Co., Ltd ("VNRLE"): VNRLE's second largest shareholder, Shenzhen Metro Group Co., Ltd ("Shenzhen Metro") with a 15.3%-stake has entered into an agreement to acquire the 14.1%-stake held by China Evergrande Group ("Evergrande"). The transaction is subject to regulatory approvals and written approval from CITIC Securities (China Evergrande had pledged its shares in VNRLE to CITIC Securities). Post transaction, Shenzhen Metro will be the single largest shareholder of VNRLE with a 29.4%-stake. Earlier in March 2017, a Strategic Cooperation Framework Agreement was entered into between Shenzhen Metro and Evergrande. Under the agreement, Evergrande will entrust to Shenzhen Metro certain rights (including voting rights, proposal rights, and rights to participate in general meetings) irrevocably for one year. (refer to [OCBC Asia Credit Daily – 17 Mar 2017](#)). Assuming the stake-acquisition reaches completion, this marks the end of the takeover saga at VNRLE and would be a credit positive in our view. (Company, OCBC)

Hongkong Land Holdings Ltd ("HKL"): HKL will be jointly developing a 118,400 sqft of land with IOI Properties Group ("IOI") in Singapore's CBD near Asia Square Tower 1, One Raffles Quay, Marina Bay Suites and Lau Pa Sat. This land parcel was paid by IOI last year with a record SGD2.57bn bid (SGD1,689 psf per plot ratio). HKL will hold 33% of the JV while 67% will be held by IOI. The plan is to develop the project into two office towers of 1.26mn sqft and a retail podium of 30,000 sq ft. We think the JV is manageable by HKL given its USD1.9bn cash balance and total equity of USD31.3bn as of FY16, with a healthy net gearing of 6%. We also note that HKL is not new in the Marina Bay area given its experience in developing the Marina Bay Financial Centre. We continue to hold HKL at a Neutral Issuer Profile. (Straits Times, OCBC).

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