

February 14, 2017

Credit Headlines (Page 2 onwards): Croesus Retail Trust, Olam International Ltd. (revised)

Market Commentary: The SGD dollar swap curve traded upwards yesterday, with swap rates trading 2-5bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in GUOLSP 4%'22s, GENSSP 5.13%'49s, BAERVX 5.75%'49s, and better selling seen in OLAM 6%'22s. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 193bps while the yield on JACI HY Corporates fell 2bps to 6.72%. 10y UST yields rose for the third straight day by 3bps yesterday to 2.43%, reflecting resurgent expectations for inflationary pro-growth policies.

New Issues: RKP Overseas Finance 2016 (A) Ltd. priced a USD300mn PNC5 (guaranteed by Road King Infrastructure Ltd.) at 7.95%, tightening from initial guidance of 8.625%. The expected issue ratings are 'NR/B1/NR'. Industrial & Commercial Bank of China Ltd. (Hong Kong) priced a USD2bn three-tranche deal, with the USD500mn 3-year bond priced at 3mL+75bps, tightening from initial guidance of 3mL+100bps; the USD900mn 5-year bond at CT5+105bps, tightening from initial guidance of CT5+130bps; the USD600mn 5-year bond at 3mL+96.5bps, priced at par. The expected issue ratings are 'A/A1/NR'. BNZ International Funding Limited, priced a USD1.25bn three-tranche deal (guaranteed by Bank of New Zealand), with the USD500mn 3-year bond priced at CT3+93bps, tightening from initial guidance of CT3+110bps; the USD250mn 3-year bond at 3mL+70bps; and the USD500mn 5-year bond at CT5+103bps, tightening from initial guidance of CT5+120bps. The expected issue ratings are 'AA-/Aa3/NR'. Bank of Communications Co. Ltd. (Hong Kong) priced a USD850mn 3-year bond at 3mL+77.5bps, tightening from initial guidance of 3mL+100bps. The expected issue ratings are 'A-/A2/A'. Ronshine China Holdings Ltd. is proposing an additional issue of USD senior notes. Huawei Investment & Holdings Co. Ltd. hired banks for a potential USD bond issuance yesterday.

Table 1: Key Financial Indicators

	14-Feb	1W chg (bps)	1M chg (bps)		14-Feb	1W chg	1M chg
iTraxx Asiax IG	101	-8	-15	Brent Crude Spot (\$/bbl)	55.76	1.29%	0.56%
iTraxx SovX APAC	28	-2	-7	Gold Spot (\$/oz)	1,226.21	-0.62%	1.95%
iTraxx Japan	52	-3	-3	CRB	192.06	-0.05%	-1.27%
iTraxx Australia	89	-3	-9	GSCI	403.78	1.77%	0.98%
CDX NA IG	63	-2	-2	VIX	11.07	-2.64%	-1.42%
CDX NA HY	108	0	1	CT10 (bp)	2.443%	4.99	4.66
iTraxx Eur Main	73	-2	4	USD Swap Spread 10Y (bp)	-7	0	5
iTraxx Eur XO	295	-7	5	USD Swap Spread 30Y (bp)	-41	0	6
iTraxx Eur Snr Fin	92	-1	5	TED Spread (bp)	50	-3	-1
iTraxx Sovx WE	23	0	3	US Libor-OIS Spread (bp)	34	-2	-1
iTraxx Sovx CEEMEA	67	-3	-15	Euro Libor-OIS Spread (bp)	2	0	-1
					14-Feb	1W chg	1M chg
				AUD/USD	0.767	0.50%	2.53%
				USD/CHF	1.006	-0.78%	0.61%
				EUR/USD	1.060	-0.80%	-0.03%
				USD/SGD	1.422	-0.27%	0.60%
Korea 5Y CDS	44	-3	-4	DJIA	20,412	1.79%	2.65%
China 5Y CDS	99	-8	-15	SPX	2,328	1.56%	2.36%
Malaysia 5Y CDS	116	-9	-16	MSCI Asiax	560	1.25%	4.15%
Philippines 5Y CDS	88	-5	-12	HSI	23,711	1.63%	3.37%
Indonesia 5Y CDS	134	-10	-19	STI	3,112	1.30%	2.86%
Thailand 5Y CDS	65	-2	-10	KLCI	1,710	1.12%	2.26%
				JCI	5,410	0.25%	2.59%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Feb-17	RKP Overseas Finance 2016 (A) Ltd.	"NR/B1/NR"	USD300mn	PNC5	7.95%
13-Feb-17	Industrial & Commercial Bank of China (Hong Kong)	"A/A1/NR"	USD500bn	3-year	3mL+75bps
13-Feb-17	Industrial & Commercial Bank of China (Hong Kong)	"A/A1/NR"	USD900mn	5-year	CT5+105bps
13-Feb-17	Industrial & Commercial Bank of China (Hong Kong)	"A/A1/NR"	USD600mn	5-year	3mL+96.5bps
13-Feb-17	BNZ International Funding Limited	"AA-/Aa3/NR"	USD500mn	3-year	CT3+93bps
13-Feb-17	BNZ International Funding Limited	"AA-/Aa3/NR"	USD250mn	3-year	3mL+70bps
13-Feb-17	BNZ International Funding Limited	"AA-/Aa3/NR"	USD500mn	5-year	CT5+103bps
13-Feb-17	Bank of Communications Co. Ltd.	"A-/A2/A"	USD850mn	3-year	3mL+77.5bps

Source: OCBC, Bloomberg

Credit Headlines:

Croesus Retail Trust ("CRT"): CRT announced 2QFY2017 results for the quarter ending Dec 2016. Gross revenue and NPI are higher by 30.7% and 23.2% to JPY3.2bn and JPY1.7bn respectively. This is mainly driven by contributions from 4 acquisitions (Torius, Fuji Grand Natalie, Mallage Saga, Feeeal Asahikawa). Meanwhile, 2QFY2017's revenue is 1.8% higher q/q, mainly due to higher contribution from Feeeal Asahikawa (1QFY2017's performance was affected due to downtime and closure sales of neighbouring departmental stores). CRT continues to boast a high occupancy rate of 98%, with 6.6 years WALE by NLA. Debt to asset inched up to 46.1% (1QFY2017: 44.6%) due to additional borrowings from the SGD60mn retap of the '20s. While this also resulted in the cost of debt inching up to 2.01% (1QFY2017: 1.9%), the higher asset leverage and interest cost is expected to be temporary as the proceeds were expected to be used to redeem the '17s which matured in January. We continue to hold CRT's Issuer Profile at Neutral. (Company, OCBC)

We would like to inform you on a revision we would like to make regarding a piece on Olam International Ltd., published in our Asian Credit Daily on 8th Feb 2017. We would like to highlight that the buyback offer price of the perps would be @100. Below is the amended excerpt, for your reference:

Olam International Ltd. ("OLAM"): OLAM is intending to buyback outstanding SGD perpetuals (ie: OLAMSP 7.0% '49c17) between 1 March 2017 and 7 March 2017@100 together with distributions accrued to (but excluding) the Settlement Date of 10 March 2017. Outstanding perpetuals stand at SGD235.8mn. OLAM has announced its intention to exercise its option to redeem all of the outstanding perpetuals (ie: those not bought back and cancelled) on 1 September 2017 @100. For existing holders with no short term liquidity needs, we are recommending a Hold to September given the 7% p.a. distribution rate which is higher than OLAM's market implied cost of funding. (Company, OCBC)

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