

Sep 14, 2017

Credit Headlines (Page 2 onwards): Landesbank Baden-Württemberg

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading 1-2bps lower across most tenors. The 12-year tenor traded little changed. Flows in SGD corporates were heavy, with better buying seen in OLAMSP 5.5%-PERPs, and mixed interest seen in WINGTA 4.08%-PERPs, WINGTA4.35%-PERPs, GEMAU 5.5%'19s, HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corp traded little changed at 190bps. Similarly, the yield on JACI HY Corp traded little changed at 6.78%. 10Y UST yields rose 3bps to 2.19%, as results from the 30-year auction came in weak and IG credit issuance remained heavy.

New Issues: PT Ciputra Development Tbk has priced a SGD150mn 4-year bond at 4.85%, tightening from initial guidance of 5.125% area. The expected issue ratings are 'NR/NR/BB-'. Cagamas Berhad has priced a SGD200mn 1-year bond at 1.52%. Estate Sky Ltd has priced a USD200mn Perp NC5 (guaranteed by CSI Properties Ltd) at 5.75%, tightening from initial guidance of 6% area. Wynn Macau Limited has priced a two-tranche deal, with the USD600mn 7NC3 bond priced at 4.875%, tightening from an initial guidance of 5%-5.125%; and the USD750mn 10NC5 bond priced at 5.5%, tightening from initial guidance of 5.5%-5.625%. Shinhan Bank has priced a USD350mn 10-year Tier 2 bond at CT10+167.5bps, tightening from initial guidance of CT10+190bps. The expected issue ratings are 'BBB+/Baa1/NR'. Commonwealth Bank of Australia has priced a five tranche deal, with the USD750mn 3-year fixed rate bond priced at CT3+60bps, tightening from initial guidance of CT3+75bps; the USD400mn 3-year floating rate bond priced at 3mL+40bps, with the initial guidance at LIBOR equivalent; the USD750mn 5-year fixed rate bond priced at CT5+75bps, tightening from initial guidance of CT5+90bps; the USD400mn 5-year floating rate bond priced at 3mL+67bps, with the initial guidance at LIBOR equivalent; and the USD700mn 10-year fixed rate bond priced at CT10+97bps, tightening from initial guidance of CT10+112.5bps.

Table 1: Key Financial Indicators

| | 14-Sep | 1W chg (bps) | 1M chg (bps) | | 14-Sep | 1W chg | 1M chg |
|---------------------|--------|--------------|--------------|----------------------------|----------|--------|---------|
| iTraxx Asiax IG | 74 | -5 | -12 | Brent Crude Spot (\$/bbl) | 55.06 | 1.05% | 8.54% |
| iTraxx SovX APAC | 18 | -2 | -5 | Gold Spot (\$/oz) | 1,320.68 | -2.12% | 3.01% |
| iTraxx Japan | 43 | -2 | -1 | CRB | 182.88 | -0.06% | 3.03% |
| iTraxx Australia | 67 | -3 | -12 | GSCI | 392.41 | -0.01% | 3.81% |
| CDX NA IG | 56 | -3 | -4 | VIX | 10.5 | -9.72% | -14.84% |
| CDX NA HY | 107 | 0 | 0 | CT10 (bp) | 2.185% | 14.61 | -3.37 |
| iTraxx Eur Main | 52 | -2 | -5 | USD Swap Spread 10Y (bp) | -4 | 0 | 0 |
| iTraxx Eur XO | 227 | -6 | -17 | USD Swap Spread 30Y (bp) | -34 | 0 | -1 |
| iTraxx Eur Snr Fin | 50 | -2 | -4 | TED Spread (bp) | 29 | -1 | 2 |
| iTraxx Sovx WE | 5 | -1 | 0 | US Libor-OIS Spread (bp) | 16 | 0 | 1 |
| iTraxx Sovx CEE/MEA | 43 | 0 | -5 | Euro Libor-OIS Spread (bp) | 3 | 0 | 0 |
| | | | | | | | |
| | | | | | 14-Sep | 1W chg | 1M chg |
| | | | | AUD/USD | 0.798 | -0.87% | 1.59% |
| | | | | USD/CHF | 0.964 | -1.42% | 0.80% |
| | | | | EUR/USD | 1.188 | -1.19% | 0.85% |
| | | | | USD/SGD | 1.351 | -0.84% | 0.86% |
| | | | | | | | |
| Korea 5Y CDS | 67 | -3 | -3 | DJIA | 22,158 | 1.61% | 0.75% |
| China 5Y CDS | 57 | -3 | -12 | SPX | 2,498 | 1.33% | 1.32% |
| Malaysia 5Y CDS | 66 | -4 | -16 | MSCI Asiax | 670 | 1.37% | 3.89% |
| Philippines 5Y CDS | 60 | -2 | -12 | HSI | 27,894 | 1.35% | 2.36% |
| Indonesia 5Y CDS | 96 | -5 | -18 | STI | 3,226 | -0.07% | -2.50% |
| Thailand 5Y CDS | 49 | -4 | -15 | KLCI | 1,784 | 0.04% | 0.71% |
| | | | | JCI | 5,846 | 0.37% | 0.76% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|-----------|--------------------------------|----------------|----------|----------|---------------|
| 13-Sep-17 | PT Ciputra Development Tbk | 'NR/NR/BB-' | SGD150mn | 4-year | 4.85% |
| 13-Sep-17 | Cagamas Berhad | Not Rated | SGD200mn | 1-year | 1.52% |
| 13-Sep-17 | Estate Sky Ltd | Not Rated | USD200mn | Perp NC5 | 5.75% |
| 13-Sep-17 | Wynn Macau Limited | Not Rated | USD600mn | 7NC3 | 4.875% |
| 13-Sep-17 | Wynn Macau Limited | Not Rated | USD750mn | 10NC5 | 5.5% |
| 13-Sep-17 | Shinhan Bank | 'BBB+/Baa1/NR' | USD350mn | 10-year | CT10+167.5bps |
| 13-Sep-17 | Commonwealth Bank of Australia | 'NR/Aa3/NR' | USD750mn | 3-year | CT3+60bps |
| 13-Sep-17 | Commonwealth Bank of Australia | 'NR/Aa3/NR' | USD400mn | 3-year | 3mL+40bps |
| 13-Sep-17 | Commonwealth Bank of Australia | Not Rated | USD750mn | 5-year | CT5+75bps |
| 13-Sep-17 | Commonwealth Bank of Australia | 'NR/Aa3/NR' | USD400mn | 5-year | 3mL+67bps |
| 13-Sep-17 | Commonwealth Bank of Australia | Not Rated | USD700mn | 10-year | CT10+97bps |

Source: OCBC, Bloomberg

Rating Changes: Moody's has affirmed Landesbank Baden-Wuerttemberg's (LBBW) 'Aa3' deposit rating, senior-senior unsecured debt ratings and counterparty risk assessment, its 'A1' senior unsecured debt ratings and 'Baa2' subordinated debt ratings. At the same time, Moody's upgraded LBBW's baseline credit assessment (BCA) to 'Baa2' from 'Baa3'. The outlook on the deposit rating and senior-senior unsecured debt ratings remain stable, while the outlook on the senior unsecured ratings were revised to negative from stable. The BCA upgrade reflects the strengthening of LBBW's financial fundamentals, in particular a stabilization of the capitalization and an improvement in asset quality. The revision of the outlook on the senior unsecured rating was driven by the results of Moody's Advanced Loss Given Failure (LGF) analysis, which now implies a lower cushion for this rating class. Moody's has assigned Yihua Enterprise (Group) (Yihua) Co Ltd a corporate family rating of 'B2'. The outlook is stable. The rating action reflects Yihua's established track record, as well as its stable EBITDA and cash flow generation from its listed furniture business. The rating also reflects Yihua's status as a private company which has less transparency and lower levels of corporate governance. Moody's has downgraded Genworth Financial Mortgage Insurance Pty Limited's (Genworth Australia) insurance financial strength rating to 'Baa1' from 'A3'. The outlook is stable. The rating action reflects the rising level of tail risks embedded in the Australian housing market, as house prices have been rising and lending to residential property investors has been elevated. However, Fitch has affirmed the insurer financial strength of Genworth Australia's operating subsidiary, Genworth Mortgage Insurance Australia Ltd's (GMA) at 'A+' with a stable outlook. Fitch states the rating is underpinned by Genworth Australia's robust standalone credit profile, solid operating performance, strong capital ratios and conservative investment approach. Fitch has withdrawn the 'B+' issuer default ratings on MMI International and its parent, Precision Capital Private Limited. The outlook on both ratings were stable. The ratings were withdrawn as both companies have chosen to stop participating in the ratings process because they do not intend to issue bonds in the foreseeable future.

Credit Headlines:

Landesbank Baden-Württemberg ("LBBW"): Further adding to the Moody's rating action, as we mentioned in our [Monthly Credit View for September](#), LBBW's better fundamentals make the LBBW Tier 2 27c22s a compelling choice with a slightly wider spread for similar tenor against Commerzbank AG's Tier 2 27c22s, given CMZB's ongoing restructuring of its business and management of loan quality problems to achieve better returns. Similarly, the LBBW Tier 2 27c22s offer a 65bps pick up for a one notch differential against the ANZ Tier 2 27c22s. One key event risk remains Germany's upcoming elections on September 24th however the current expected outcome is unlikely to surprise. Furthermore, Germany's economy, the Eurozone's improving fundamentals and Germany's position as a safe haven in Europe should buffer any potential volatility from the election process in our view. (OCBC)

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Co.Reg.no.:193200032W