

Sep 15, 2017

Credit Headlines (Page 2 onwards): CK Hutchison Holdings Limited, Croesus Retail Trust, ABN Amro Group NV

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 2-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in CTRAIJ 4.85%'21s, HSBC 4.7%-PERPs, better selling seen in SIASP 3.13%'27s, WINGTA 4.08%-PERPs, and mixed interest seen in WINGTA 4.35%-PERPs, UOBSP 3.5%'29s, GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG Corp traded little changed at 190bps, while the yield on JACI HY Corp rose 2bps to 6.80%. 10Y UST yields traded little changed at 2.18%, as reports of a North Korean missile launch triggered risk-off sentiments, which offset the earlier gains in yields due to stronger-than-expected CPI data.

New Issues: FCL Treasury Pte Ltd has priced a SGD308mn Perp NC5 (guaranteed by Frasers Centrepoint Ltd) at 3.95%, tightening from initial guidance of 4.25% area. Harvest Operations Corp has priced a USD285mn 5-year bond (guaranteed by Korea National Oil Corporation) at CT5+127.5bps, tightening from initial guidance of CT5+150bps. The expected issue ratings are 'AA/Aa2/NR'. Hong Kong Red Star Macalline Universal Home Furnishings Ltd has priced a USD300mn 5-year bond (guaranteed by Red Star Macalline Group Corporation Ltd) at CT5+170bps, tightening from initial guidance CT5+205bps. The expected issue ratings are 'NR/NR/BBB'. Postal Savings Bank of China Co has scheduled investor meetings for a potential USD AT1 issuance from 15 Sep. The expected issue ratings are 'NR/Ba3/NR'.

Rating Changes: Moody's has affirmed Pelabuhan Indonesia II (Persero) (P.T.)'s (Pelindo II) 'Baa3' issuer and senior unsecured ratings, while downgrading its baseline credit assessment (BCA) to 'Ba1' from 'Baa3'. The outlook is positive. The issuer and senior unsecured ratings received a one-notch uplift as Moody's expects that the company will receive a high level of support from the Indonesian sovereign in times of need. The downgrade reflects Pelindo II's plan to undertake significant expansionary capex in the next three years.

Table 1: Key Financial Indicators

	15-Sep	1W chg (bps)	1M chg (bps)		15-Sep	1W chg	1M chg
iTraxx Asiax IG	74	-5	-8	Brent Crude Spot (\$/bbl)	55.17	2.58%	8.60%
iTraxx SovX APAC	18	-1	-4	Gold Spot (\$/oz)	1,331.90	-1.09%	4.75%
iTraxx Japan	43	-2	0	CRE	183.31	0.24%	3.97%
iTraxx Australia	67	-3	-10	GSCI	394.23	0.48%	4.67%
CDX NA IG	57	-4	-3	VIX	10.44	-9.61%	-13.29%
CDX NA HY	107	0	0	CT10 (bp)	2.181%	13.05	-9.16
iTraxx Eur Main	52	-2	-5	USD Swap Spread 10Y (bp)	-3	1	2
iTraxx Eur XO	227	-7	-17	USD Swap Spread 30Y (bp)	-32	2	1
iTraxx Eur Sfr Fin	49	-3	-4	TED Spread (bp)	28	0	-2
iTraxx Sovx WE	5	-1	-1	US Libor-OIS Spread (bp)	15	0	0
iTraxx Sovx CEEMEA	42	-1	-2	Euro Libor-OIS Spread (bp)	3	0	0
					15-Sep	1W chg	1M chg
				AUD/USD	0.800	-0.79%	2.24%
				USD/CHF	0.963	-1.99%	0.94%
				EUR/USD	1.191	-1.05%	1.49%
				USD/SGD	1.347	-0.41%	1.45%
Korea 5Y CDS	67	-4	1	DJIA	22,203	1.92%	0.93%
China 5Y CDS	56	-5	-10	SPX	2,496	1.24%	1.26%
Malaysia 5Y CDS	66	-4	-14	MSCI Asia	670	0.95%	3.81%
Philippines 5Y CDS	60	-3	-9	HSI	27,737	0.25%	2.07%
Indonesia 5Y CDS	96	-5	-15	STI	3,207	-0.66%	-2.66%
Thailand 5Y CDS	49	-4	-12	KLCI	1,783	0.16%	0.59%
				JCI	5,852	0.34%	0.29%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
14-Sep-17	FCL Treasury Pte Ltd	Not Rated	SGD308mn	Perp NC5	3.95%
14-Sep-17	Harvest Operations Corp	'AA/Aa2/NR'	USD285mn	5-year	CT5+127.5bps
14-Sep-17	Hong Kong Red Star Macalline Universal Home Furnishings Ltd	'NR/NR/BBB'	USD300mn	5-year	CT5+170bps
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

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has withdrawn Global A&T Electronics Ltd (GATE) 'Ca' corporate family rating (CFR) and the ratings on its senior secured notes. The outlook was negative. Moody's has withdrawn the rating as the company announced that the failure to pay its overdue interest on its notes constitutes an event of default under the indenture governing the notes. Fitch has affirmed Changchun Urban Development & Investment Holdings (Group) Co Ltd's (CCDG) issuer default rating (IDR) and senior unsecured ratings at 'BBB', while revising the outlook to positive from stable. CCDG's ratings are credit-linked to the Changchun Municipality, whose ratings were revised to positive from stable on the back of stronger economic growth, stabilizing fiscal performance and improved leverage.

Credit Headlines:

CK Hutchison Holdings Limited ("CKHH"): CKHH's 72%-owned subsidiary CK Infrastructure Holdings Ltd ("CKI") is reportedly considering an offer to acquire Cory Riverside Energy Group ("Cory"), a UK-based energy-from-waste company. Cory could be valued at more than GBP1bn (~HKD10.4bn), including debt. CKHH total assets was around HKD 1 trillion as at 30 June 2017. (Bloomberg)

Croesus Retail Trust ("CRT"): It was announced that the acquisition of CRT by funds managed or advised by affiliates of the Blackstone Group ("Offeror") was approved by CRT unitholders. The units are now expected to delist on 24/10/17. As mentioned previously, there is a delisting put for the CROESP'20s, which allows bondholders to put the bonds back to the issuer at par plus accrued interest should bondholders opt to do so. (Company, OCBC)

ABN Amro Group NV ("ABN"): The Dutch government announced a further sell down in its ownership stake of ABN, reducing its ownership by 7% to 56%. This is in line with the government's previously stated desire to reduce its ownership in ABN over time following its nationalization during the Global Financial Crisis and subsequent relisting in November 2015. This development does not impact its credit profile in our view. Looking at SGD Tier 2 papers, we find the BPCEGP 4.50% 26c21s to offer better value than the ABNANV 4.75% 26c21 with a 46bps spread pick up for similar tenor. Similarly, the spread pick up against the SOCGEN 4.3% 26c21 is 48bps. For an alternative to these, investors may want to look at the STANLN 4.40% 26c21s which has 32bps spread pick up on the BPCEGP 4.50% 26c21s and a lower cash price with a one notch better rating from Moody's. Part of this could be an overhang from Standard Chartered PLC's ("SC") non-call of its USD750m non-cumulative redeemable preference shares in January 2017 although this was widely seen as a one-off event and economically rational considering the reset mechanism offered lower funding costs to SC and the bank's ongoing strategy to improve its fundamentals. We do not currently cover SC. (OCBC, Bloomberg, Company)

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