

November 16, 2017

Credit Headlines (Page 2 onwards): Landesbank Baden-Württemberg, Marco Polo Marine Ltd, Lippo Malls Indonesia Retail Trust

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 3-7bps lower across all tenors, following the flattening of the UST yield curve on Tuesday. Flows in SGD corporates were heavy, with better buying seen in MFCCN 3'29s, HRAM 3.8%'25s, better selling seen in MFCCN 3.85%'26s, and mixed interest seen in CAPLSP 3.08%'27s. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 179bps, while the yield on JACI HY Corp traded little changed at 6.96%. 10Y UST yields fell 5bps to 2.32%, despite CPI and retail sales data which were mostly in line with expectations.

New Issues: Manulife Financial Corporation has priced a SGD500mn 12NC7 bond at 3% on 14 Nov, tightening from initial guidance of 3.25%. The expected issue ratings are 'A-/NR/NR'. Housing and Development Board has priced a SGD680mn 7-year bond at 2.25%. The expected issue ratings are 'NR/Aaa/NR'. Bank of China Ltd, Paris Branch has priced a EUR700mn 3-year floating rate green bond at 3mE+47bps, tightening from 3mE+70bps. The expected issue ratings are 'NR/A1/A'. Xinyuan Real Estate Co has priced a USD200mn 3-year bond at 9.125%, in line with initial price guidance of 9.125%. The expected issue ratings are 'B-/NR/B'. Hong Seng Ltd has priced a USD250mn 363-day bond at 8.5%, tightening from initial guidance of 8.65%. Wing Lung Bank Ltd has priced a USD400mn 10NC5 Tier 2 Bond at CT5+175bps, tightening from initial guidance of CT5+200bps area. The expected issue ratings are 'NR/Baa2/NR'. Oceanwide Holdings International 2017 Co Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Oceanwide Holdings Co Ltd) from 15 Nov. The expected issue ratings are 'NR/NR/B'.

Table 1: Key Financial Indicators

	16-Nov	1W chg (bps)	1M chg (bps)		16-Nov	1W chg	1M chg
iTraxx Asiax IG	81	1	4	Brent Crude Spot (\$/bbl)	61.95	-3.10%	7.14%
iTraxx SovX APAC	16	0	0	Gold Spot (\$/oz)	1,278.59	-0.50%	-1.33%
iTraxx Japan	49	1	0	CRB	188.64	-1.70%	2.18%
iTraxx Australia	69	2	1	GSCI	420.62	-1.58%	3.95%
CDX NA IG	57	1	3	VIX	13.13	34.25%	32.49%
CDX NA HY	107	0	-1	CT10 (bp)	2.338%	-0.35	3.47
iTraxx Eur Main	53	1	-2	USD Swap Spread 10Y (bp)	-1	1	2
iTraxx Eur XO	252	9	9	USD Swap Spread 30Y (bp)	-24	3	7
iTraxx Eur Snr Fin	53	1	-5	TED Spread (bp)	19	0	-9
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	9	-1	-3
iTraxx Sovx CEE/MEA	53	3	14	Euro Libor-OIS Spread (bp)	3	0	#N/A N/A
					16-Nov	1W chg	1M chg
				AUD/USD	0.760	-1.04%	-3.20%
				USD/CHF	0.989	0.51%	-1.35%
				EUR/USD	1.178	1.22%	-0.10%
				USD/SGD	1.357	0.18%	-0.35%
Korea 5Y CDS	70	-2	0	DJIA	23,271	-1.24%	1.37%
China 5Y CDS	62	2	5	SPX	2,565	-1.15%	0.27%
Malaysia 5Y CDS	70	1	5	MSCI Asiax	694	-1.42%	0.20%
Philippines 5Y CDS	69	1	5	HSI	28,977	-0.55%	0.99%
Indonesia 5Y CDS	103	1	4	STI	3,362	-1.80%	1.18%
Thailand 5Y CDS	50	-1	1	KLCI	1,725	-1.25%	-1.67%
				JCI	6,022	-0.34%	1.22%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Nov-17	Housing and Development Board	'NR/Aaa/NR'	SGD680mn	7-year	2.25%
15-Nov-17	Bank of China Ltd, Paris Branch	'NR/A1/A'	EUR700mn	3-year	3mE+47bps
15-Nov-17	Xinyuan Real Estate Co	'B-/NR/B'	USD200mn	3-year	9.125%
15-Nov-17	Hong Seng Ltd	Not Rated	USD250mn	363-day	8.50%
15-Nov-17	Wing Lung Bank Ltd	'NR/Baa2/NR'	USD400mn	10NC5	CT5+175bps
14-Nov-17	Manulife Financial Corporation	'A-/NR/NR'	SGD500mn	12NC7	3%
14-Nov-17	WTT Investment Ltd	'NR/B1/B'	USD670mn	5NC3	5.50%
14-Nov-17	Trafigura Group Pte Ltd (re-tap)	Not Rated	USD200mn	TRAFIG 6.875%-PERP	103.625
13-Nov-17	Easy Tactic Ltd	'NR/NR/BB'	USD500mn	5NC3	5.875%

Source: OCBC, Bloomberg

Rating Changes: Moody's has assigned Union Bank of the Philippines (UnionBank) a 'Baa3' baseline credit assessment (BCA) and adjusted BCA, as well as long-term deposit ratings, issuer ratings and a Counterparty Risk Assessment of 'Baa2'. At the same time, Moody's has assigned a 'Baa2' rating to Unionbank's foreign currency senior unsecured medium term note program. The outlook is stable. The rating reflects UnionBank's above-industry-average core profitability, adequate capital generation and strong support from key shareholders. Moody's also assess that the bank will receive moderate support from the Government of the Philippines in times of need.

Credit Headlines:

Landesbank Baden-Württemberg ("LBBW"): LBBW announced a summary of 9M2017 results with operating income up 4.6% or EUR87mn y/y to EUR1.97bn. This was driven almost entirely by net gains from financial instruments measured at fair value through the P&L (includes net trading gains/losses, net gains/losses from financial instruments designated at fair value and net gains/losses from hedge accounting) which rose by EUR164mn. This offset lower net gains from financial investments and net income from investments, as well as higher allowances y/y (due to the low base effect of very low allowances in 3Q2016). Other key items in operating income include stable net interest income (growth in loan and deposit volumes mitigated continuing low interest rates and Germany's competitive banking sector) as well as a 3% rise in net fee and commission income. Other expenses were stable as the continued fall in guarantee commissions for the State of Baden-Württemberg was offset by higher restructuring expenses. Segment wise, the Corporates segment continues to generate the bulk of 9M2017 profit before tax (70.4%) and was 13% lower y/y as higher loan volumes was offset by higher allowances for losses and higher expenses for IT transformation and restructuring. Transformation expenses had a larger impact on LBBW's Retail/Savings bank which generated a loss of EUR20mn while LBBW's capital markets business continues to show the most improvement y/y with profit before tax of EUR209mn up from EUR45mn in 9M2016 due to stronger capital markets and treasury activities. LBBW's balance sheet grew with total assets up 4.3% in the 9 months to 30 Sep 2017 however risk weighted assets were down 3.0%. This, along with capital instrument issuance earlier this year, contributed to an improvement in LBBW's fully loaded CET1/CAR capital ratios at 15.9%/22.7% as at 30 Sep 2017 compared to 15.2%/21.5% as at 31 Dec 2016. While LBBW's YTD results look decent compared to Commerzbank AG's 9M2017 (refer to [OCBC Asian Credit Daily – 10 November 2017](#)), we are mindful that the y/y improvement was driven by improved performance from volatile sources, namely net gains/losses from financial instruments while fundamentally LBBW's Corporates and Retail/Savings segments continue to face challenges. This is not unlike CMZB's results with operating profits in CMZB's Private and Small-Business Customer segment weaker y/y as low interest rates, increased loan loss provisions and higher operating expenses offset higher loan volumes while Corporate Clients segment operating profit also fell due to lower demand for credit and structured capital market products from businesses overshadowed lower loan loss provisions and a fall in expenses from lower personnel costs and cost management. That said, CMZB's underlying credit profile is improving (albeit from a lower base) from the on-going wind down of its Asset & Capital Recovery ("ACR") segment with loan balances and operating losses falling and generating positive impacts on loan quality and capital ratios. The CMZB Tier 2 27c22s currently offer a 28bps pick up on a spread basis against the LBBW Tier 2 27c22s, which we think is decent compensation for the slightly weaker (albeit improving) credit profile of CMZB. We retain our neutral issuer profile on LBBW. (OCBC, Company)

Marco Polo Marine Ltd ("MPM"): MPM announced that it had successfully completed its consent solicitation exercise ("CSE") to restructure its SGD50mn in bonds. Noteholders representing 78.5% in principal were represented during the vote, with 89.81% of votes casted in favour of the CSE resolution. As a result, the terms of the CSE will be implemented and binding across the whole SGD50mn in bonds. In summary, the bonds would likely be redeemed (any date falling on or prior to 31/01/18) at a Restructured Redemption Amount of SGD35,868 in cash and 1,024,800 new shares issued at a price of SGD0.035 per share for a total consideration of SGD71,736 for each SGD250,000 bond tranche. This implies a haircut of 71.3% for each noteholder. Post restructuring, noteholders will hold ~5.4% of MPM's enlarged share based on a fully diluted basis (3.8bn shares), with nine new incoming investors (investing SGD60mn in fresh funds at SGD0.028 per share) holding 56.4%, other creditors holding 20.5% and existing shareholders holding 17.7% (half this stake assumes warrants to be issued are exercised). Next steps would be for MPM to hold an EGM to seek shareholder approval given the dilution resulting from the restructuring. OCBC credit research does not currently cover MPM. (Company)

Credit Headlines (Cont'd):

Lippo Malls Indonesia Retail Trust ("LMRT"): LMRT announced the consent rate of the consent solicitation exercise. 89.67% of LMRTSP 4.1% '20s ("Series 005"), 70.75% of LMRTSP 4.5% '18s ("Series 001"), 88.75% of LMRTSP 7% PERP ("Series 002") and 81.46% LMRTSP 6.6% PERP ("Series 003") have consented by the earlybird consent expiration date. Given the high consent rate, the quorum required for each meeting will be met. As mentioned previously (refer to [OCBC Asian Credit Daily – 1 Nov 2017](#)), we recommend noteholders to consent in order to benefit from the consent fee. The expiration date to enjoy the 10bps final consent fee will be 27 Nov 2017, at differing timings for Series 005 (10.00am), Series 001 (10.20am), Series 002 (10.40am) and Series 003 (11.00am). As a follow-up, we understand from LMRT's management that the change of trustee (which triggered the consent solicitation exercise) is triggered by HSBC (the existing trustee) and HSBC did not provide LMRT with the reason for doing so. (Company, OCBC)

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