

October 17, 2017

Credit Headlines (Page 2 onwards): Chip Eng Seng Corp Ltd, Pacific Radiance Ltd, Australia and New Zealand Banking Group Ltd

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 1-4bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in CAPLSP 3.08%'27s, VIBGSP 7.5%'20s, and mixed interest seen in CELSP 3.9%-PERPs and HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 182bps, while the yield on JACI HY Corp fell 3bps to 6.80%. 10Y UST yields rose 3bps to 2.30%, after a report suggested that Fed chair candidate John Taylor made a favourable impression on Trump.

New Issues: China Construction Bank Corporation of Singapore has priced a SGD500mn 3-year bond at 2.08%, tightening from initial guidance of SOR+80bps area (2.3% as of 3Y SOR on 16 Oct 2017). The expected issue ratings are 'NR/NR/A'. Yihua Overseas Investment Ltd has priced a USD250mn 3-year bond (guaranteed by Yihua Enterprise (Group) Co) at 8.5%, in line with initial guidance of mid 8%. The expected issue ratings are 'B-/B3/NR'. The Government of Mongolia has scheduled investor meetings for potential USD bond issuance from 17 Oct. The expected issue ratings are 'B-/NR/B-'. Jiuding Group Finance Co Ltd has scheduled investor meetings for potential re-tap of its JIUDGR 6.5%'20s from 16 Oct. The expected issue ratings are 'BB/NR/NR'. Press Metal (Labuan) Ltd, a wholly-owned subsidiary of Press Metal Aluminium Holdings Berhad has scheduled investor meetings for potential USD bond issuance from 17 Oct. The expected issue ratings are 'BB-/Ba3/NR'. Ryan Investments Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Elion Resources Group Co Ltd) from 17 Oct. Boral Ltd has scheduled investor meetings for potential USD bond issuance from 17 Oct.

Rating Changes: S&P has assigned Elion Resources Group Co Ltd (Elion Resources) a long-term corporate credit rating of 'B'. The outlook is stable. The rating action reflects Elion Resources plans to enlarge its operating scale, its concentrated geographical exposure, and S&P's expectation that its financial metrics will gradually improve.

Table 1: Key Financial Indicators

	17-Oct	1W chg (bps)	1M chg (bps)		17-Oct	1W chg	1M chg
iTraxx Asiax IG	77	-1	4	Brent Crude Spot (\$/bbl)	57.83	2.16%	3.97%
iTraxx SovX APAC	16	-1	-2	Gold Spot (\$/oz)	1,292.97	0.38%	-1.11%
iTraxx Japan	50	2	7	CRB	184.62	2.03%	0.31%
iTraxx Australia	68	-1	3	GSCI	404.66	1.54%	2.21%
CDX NA IG	54	0	-2	VIX	9.91	2.69%	-2.56%
CDX NA HY	108	0	1	CT10 (bp)	2.302%	-5.91	9.93
iTraxx Eur Main	56	-1	6	USD Swap Spread 10Y (bp)	-3	2	0
iTraxx Eur XO	243	-4	20	USD Swap Spread 30Y (bp)	-31	1	2
iTraxx Eur Snr Fin	59	-1	11	TED Spread (bp)	30	0	0
iTraxx Sovx WE	5	0	0	US Libor-OIS Spread (bp)	12	-2	-4
iTraxx Sovx CEEMEA	39	-1	-2	Euro Libor-OIS Spread (bp)	3	0	0
					17-Oct	1W chg	1M chg
				AUD/USD	0.784	0.80%	-1.48%
				USD/CHF	0.977	-0.15%	-1.56%
				EUR/USD	1.178	-0.26%	-1.48%
				USD/SGD	1.355	0.09%	-0.52%
Korea 5Y CDS	70	-1	4	DJIA	22,957	0.86%	3.09%
China 5Y CDS	57	-2	4	SPX	2,558	0.51%	2.30%
Malaysia 5Y CDS	65	-1	2	MSCI Asiax	693	1.68%	3.26%
Philippines 5Y CDS	65	0	7	HSI	28,685	0.68%	3.16%
Indonesia 5Y CDS	99	-2	6	STI	3,329	1.22%	3.72%
Thailand 5Y CDS	49	0	1	KLCI	1,753	-0.48%	-1.88%
				JCI	5,945	0.66%	1.23%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
16-Oct-17	China Construction Bank Corporation of Singapore	'NR/NR/A'	SGD500mn	3-year	2.08%
16-Oct-17	Yihua Overseas Investment Ltd	'B-/B3/NR'	USD250mn	3-year	8.5%
12-Oct-17	Prime Asset Holdings Ltd	Not Rated	SGD170mn	7-year	2.9%
12-Oct-17	Well Hope Development Ltd	Not Rated	USD1bn	Perp NC5	3.875%
11-Oct-17	CITIC Envirotech Ltd	Not Rated	SGD240mn	Perp NC3	3.9%
11-Oct-17	United Overseas Bank Ltd	'NR/Baa1/BBB'	USD650mn	Perp NC6	3.875%
11-Oct-17	China Singyes Solar Technologies Holdings Ltd	Not Rated	USD160mn	364-day	6.75%
11-Oct-17	Sumitomo Mitsui Banking Corporation	'NR/A1/NR'	USD750mn	2-year	CT2+57bps
11-Oct-17	Sumitomo Mitsui Banking Corporation	'NR/A1/NR'	USD750mn	2-year	3mL+31bps
11-Oct-17	Sumitomo Mitsui Financial Group Inc	'NR/A1/NR'	USD1.25bn	5-year	CT5+82bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd): S&P has affirmed Swire Properties Ltd's (Swire Properties) 'A-' long-term issue rating and 'A-' long-term corporate credit rating with negative outlook. The rating action reflects Swire Properties' strong market position, asset brand name, and good asset quality across its property portfolio. However, the negative outlook reflects the outlook on its parent, Swire Pacific Ltd (Swire Pacific), as Swire Pacific has strong influence over Swire Properties' strategy, operations and financial management. S&P has then withdrew the ratings at Swire Pacific's request. Moody's has assigned Press Metal Aluminium Holdings Berhad (Press Metal) a 'Ba3' corporate family rating (CFR). At the same time, Moody's has assigned a 'Ba3' rating to Press Metal's proposed senior notes due 2022. The outlook is stable. The rating action reflects Press Metal's low-cost aluminum smelting capabilities, supported by a long-term power purchase agreement with Sarawak Energy, solid EBITDA margins, conservative financial policies, and low leverage. However, the rating incorporates its small scale, limited operational track record, and exposed to volatility in aluminum and raw material prices. Moody's has affirmed LVGEM (China) Real Estate Investment Co Ltd's (LVGEM) 'B2' corporate family rating and the 'B3' senior unsecured ratings issued by Gemstones International Ltd and guaranteed by LVGEM. The outlook has been revised to negative from stable. The rating action follows LVGEM's announcement that it has entered into sales and purchase agreements to acquire an office project in Hong Kong, and this will weaken its liquidity and increase debt leverage.

Credit Headlines:

Chip Eng Seng Corp Ltd ("CES"): CES announced that its wholly-owned subsidiary has successfully tendered for the enbloc acquisition of Changi Garden at SGD248.8mn. CES intends to redevelop the property into a low-rise residential condominium with 320 residential units and some retail shops. The acquisition will be funded by internal resources and bank borrowings. Following the acquisition, we expect the net gearing of CES will increase to 1.6x region (from 1.3x region). However, we continue to hold CES at a Neutral Issuer Profile, albeit precariously due to its aggressive profile, as we believe that the recovery in the Singapore residential property market will help CES move more units at Grandeur Park and Fulcrum. CES is expected to report its 3Q2017 results in the near future, and we will obtain more clarity on the sale of its existing inventory. (Company, OCBC)

Pacific Radiance Ltd ("PACRA"): As a follow up to PACRA's attempted consensual restructuring of its borrowings (refer to [OCBC Asian Credit Daily - 8 September 2017](#)), PACRA has provided an update that it has commenced discussions with potential investors to raise fresh funds as part of the restructuring, and had received expressions of interests from these investors. To allow PACRA more time to raise fresh funds as part of the restructuring, PACRA has reached an informal arrangement with major lenders to temporarily suspend certain debt obligations of PACRA. PACRA had also announced its intention to convene an informal meeting in the next several weeks with holders of the PACRA 4.3%'18s to update noteholders on the restructuring. This is consistent with what we had expected (we had previously withdrawn our bond recommendation on the PACRA 4.3%'18s as we had expected the restructuring to be imminent). We also believe that PACRA having potentially accessing government-backed IE Singapore and Spring Singapore facilities (refer to [OCBC Asian Credit Daily - 9 June 2017](#)) which total SGD85mn (the Singapore Government takes a 70% credit exposure on the facilities, with the balance being bore by the lenders) just prior to its attempted restructuring may potentially complicate the process. As mentioned previously, based on the restructuring attempts by PACRA's offshore marine peers, we believe that the restructuring of PACRA's bonds could be one of requisites for the reorganization. Given that 3Q2017 results should be released in the near future, this could potentially be the basis for PACRA to start the dialogue with various stakeholders. We continue to hold PACRA's Issuer Profile at Negative and will continue to monitor the situation closely. (Company, OCBC)

Credit Headlines (Cont'd):

Australia and New Zealand Banking Group Ltd (“ANZ”): ANZ has announced the partial sale of its wealth management business to IOOF Holdings Limited (IOOF). Under the deal, ANZ will sell its OnePath pensions and investments businesses to IOOF for AUD975mn and enter into a 20 year strategic alliance to sell IOOF superannuation and investment products through its branch networks. At the same time, ANZ will keep its life insurance business and continue to explore various sale options. Although different to the previously contemplated sale of its wealth management in its entirety for around AUD4bn, the sale is still consistent with ANZ’s overall portfolio rationalization and focus on core and better return businesses. The sale, which is still subject to certain conditions and regulatory approval, is expected to take 12 months to complete and will be accretive to ANZ’s CET1 ratio adding around 15bps when finalized. As mentioned previously, solid progress in ANZ’s restructuring and business repositioning is fully reflected in the current neutral issuer profile for ANZ and the price of its ANZ 3.75% 27c22 Tier 2 paper which has run up noticeably since mid-August. ANZ’s financial year end is September 30. (Company, OCBC)

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