

Jun 19, 2017

Credit Headlines (Page 2 onwards): Olam International Ltd, China Vanke Co. Ltd

Market Commentary: The SGD swap curve traded upwards last Friday, with swap rates trading 1-2bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, better selling seen in LBBW 3.75%'27s, mixed interest seen in STHSP 3.95%-PERPs, NAB 4.15%'28s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 196bps, while the yield on JACI HY corporates changed little at 6.75%. 10y UST yields fell 1bps last Friday to 2.15%, after soft May U.S housing starts and building permits and June preliminary University of Michigan Consumer Sentiment fell more than forecasted.

New Issues: China Evergrande Group sets final guidance for its potential new bond issuance due 2021 at 6.25%, due 2023 at 7.50%, due 2025 at 8.75%.

Rating Changes: S&P assigned China-based rolling stock manufacturer CRRC Corp. Ltd. (CCRC) an 'AA-' corporate credit rating. The rating outlook is negative. The rating action reflects S&P's opinion of a very high likelihood of timely and sufficient extraordinary support from the government of China in the event of the company's financial distress. The rating action also reflects S&P's expectation that the company will maintain its stable operating performance, leadership in the Chinese railway equipment market, good cash flows, and conservative financial policy. Moody's assigned CCRC an 'A1' issuer rating, with stable outlook, while Fitch assigned CCRC an issuer default rating and senior unsecured debt rating of 'A+', with stable outlook. S&P affirmed Geely Automobile Holdings Ltd's (Geely) corporate credit rating at 'BB+' and revised the rating outlook to positive from stable. The rating action reflects S&P's expectation for Geely's parent to continue improving its credit metrics over the next 12-24 months, while achieving sustained volume and revenue growth.

Table 1: Key Financial Indicators

	19-Jun	1W chg (bps)	1M chg (bps)		19-Jun	1W chg	1M chg
iTraxx Asiax IG	85	0	-5	Brent Crude Spot (\$/bbl)	47.25	-2.15%	-11.86%
iTraxx SovX APAC	17	0	-3	Gold Spot (\$/oz)	1,253.51	-1.00%	-0.19%
iTraxx Japan	40	-1	-3	CRB	173.05	-2.10%	-6.50%
iTraxx Australia	83	-1	-1	GSCI	364.17	-1.14%	-6.87%
CDX NA IG	61	1	-2	VIX	10.38	-2.99%	-13.79%
CDX NA HY	107	0	0	CT10 (bp)	2.157%	-5.79	-7.80
iTraxx Eur Main	57	-1	-6	USD Swap Spread 10Y (bp)	-3	2	3
iTraxx Eur XO	238	-2	-14	USD Swap Spread 30Y (bp)	-38	6	9
iTraxx Eur Snr Fin	61	-2	-8	TED Spread (bp)	27	3	-1
iTraxx Sovx WE	7	-1	-3	US Libor-OIS Spread (bp)	12	2	-2
iTraxx Sovx CEEMEA	51	4	3	Euro Libor-OIS Spread (bp)	3	0	0
					19-Jun	1W chg	1M chg
				AUD/USD	0.762	1.09%	2.20%
				USD/CHF	0.974	-0.49%	-0.07%
				EUR/USD	1.120	-0.06%	-0.09%
				USD/SGD	1.382	0.19%	0.33%
Korea 5Y CDS	51	-2	-5	DJIA	21,384	0.53%	2.79%
China 5Y CDS	66	-3	-12	SPX	2,433	0.06%	2.16%
Malaysia 5Y CDS	83	-7	-19	MSCI Asiax	620	-0.49%	1.76%
Philippines 5Y CDS	74	-2	-4	HSI	25,851	0.56%	2.69%
Indonesia 5Y CDS	115	-2	-7	STI	3,243	-0.17%	0.80%
Thailand 5Y CDS	59	3	3	KLCI	1,790	0.05%	1.21%
				JCI	5,738	0.82%	-0.93%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Jun-17	Greenland Global Investment Ltd.	Not Rated	USD500mn	1-year	4.0%
15-Jun-17	Hainan Airlines (Hong Kong) Co., Ltd.	Not Rated	USD300mn	1-year	5.5%
14-Jun-17	Sembcorp Industries Ltd	Not Rated	SGD200mn	Perp NC3	3.7%
14-Jun-17	China Three Gorges Finance II (Cayman Islands) Ltd	"NR/A1/A+"	EUR650mn	7-year	MS+93bps
13-Jun-17	Marble II Pte. Ltd.	Not Rated	USD500mn	5NC2	5.3%
12-Jun-17	Lippo Malls Indonesia Retail Trust	Not Rated	SGD120mn	Perp NC5.5	6.6%
12-Jun-17	Korea East-West Power Co. Ltd	"NR/Aa2/AA-"	USD500mn	5-year	CT5+102.5bps
12-Jun-17	Shui On Development (Holding) Ltd.	Not Rated	USD600mn	Perp NC5	6.4%
12-Jun-17	PT Japfa Comfeed Indonesia Tbk (re-tap)	"BB-/NR/BB-"	USD100mn	JPFAIJ 5.5%'22s	100.25

Source: OCBC, Bloomberg

Rating Changes (cont'd): Fitch assigned China-based Chengdu Communications Investment Group Corporation Limited (CCIC) Long-Term Foreign- and Local-Currency Issuer Default Ratings of 'BBB+' with a Stable Outlook. The rating action reflects strong government oversight and supervision, the strategic importance of CCIC's public sector business and moderate integration with the municipal budget.

Credit Headlines:

Olam International Ltd ("OLAM"): OLAM's wholly-owned subsidiary Olam Americans Inc ("OAI") has priced a follow-on USD170mn issuance of 5 year fixed rate notes in a private placement. The notes were placed at 195 basis points over 5 year US treasury rate, translating into a fixed coupon of 3.73% for 5 years. Proceeds from the issue will be used by OAI and its US affiliates for repayment of existing bank debt and general corporate purposes. This transaction follows OLAM's debut US private placement in end-2016 where OAI raised USD175mn. (Company)

China Vanke Co. Ltd ("VNRKLE"): VNRKLE is reportedly in talks to join a consortium to bid for Global Logistics Properties Ltd ("GLP"). The other members reportedly in the consortium are Hopu Investment Management, Hillhouse Capital Management and GLP's CEO. The exact transaction structure is yet to be firmed up though we expect the purchase consideration to be funded by significant amounts of acquisition debt. As at 31 March 2017, VNRKLE's gearing was 0.9x and net gearing was 0.4x. We think gearing levels is likely to rise in the coming six months to fund its property development obligations and the GLP deal is likely to push gearing further up. Assuming an up to 50% stake in the consortium, VNRKLE's gearing levels will be somewhat higher than its immediate Chinese property development peers. GLP is currently ~37% owned by GIC. The Special Committee set up in connection with the Strategic Review at GLP has invited shortlisted bidders to submit firm proposals by 30 June 2017 for final evaluation. We are holding VNRKLE's issuer profile at Neutral for now. (Bloomberg, OCBC)

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W