

Sep 21, 2017

Credit Headlines (Page 2 onwards): Commerzbank AG, Swissco Holdings Ltd, G8 Education Ltd

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading 1-3bps lower across most tenors. The 20-year tenor traded little changed. Flows in SGD corporates were heavy, with better buying seen in CTRAIJ 4.85%'21s, and mixed interest seen in HSBC 4.7%-PERPs, OLAMSP 5.5%-PERPs. In the broader dollar space, the spread on JACI IG Corp traded little changed at 188bps. Similarly, the yield on JACI HY Corp traded little changed at 6.80%. 10Y UST yields rose 2bps to 2.26%, after the Federal Reserve announced that it will stick with its forecast to raise interest rates another time this year, and plans to start tapering its balance sheet in October.

New Issues: The Export-Import Bank of Korea has priced a SGD200mn 5-year bond at 5YSOR+55bps, in the range of IPT of 5YSOR+55-60bps. The expected issue ratings are 'AA/Aa2/NR'. Olam International Ltd has priced a JPY8bn 5-year bond at 0.9825%. QBE Insurance Group Limited has priced a USD300mn 6-year bond at CT6+130bps, unchanged from initial guidance of CT6+130bps. Sunshine 100 China Holdings Ltd has priced a USD235mn 3NC2 bond at 8.5%, unchanged from initial guidance of 8.5%.

Rating Changes: S&P has affirmed PT Mitra Pinasthika Mustika Tbk (MPM)'s 'B+' corporate credit rating and ratings on its senior unsecured notes. S&P has also affirmed the stable outlook on the ratings. The rating action reflects S&P's view that MPM will maintain its market share in the motorcycle distribution segment. S&P then withdrew the ratings at MPM's request. Moody's has upgraded Thai Beverage Public Company Limited's (ThaiBev) issuer rating to 'Baa2' from 'Baa3'. The outlook has been changed to stable from positive. The rating action reflects ThaiBev's position as the largest beverage producer in Thailand and its stable cash flows. However, the rating considers the competitive environment and ThaiBev's exposure to regulatory risks and potential changes in excise taxes.

Table 1: Key Financial Indicators

	21-Sep	1W chg (bps)	1M chg (bps)		21-Sep	1W chg	1M chg
iTraxx Asiax IG	78	4	-5	Brent Crude Spot (\$/bbl)	56.19	1.30%	8.77%
iTraxx SovX APAC	16	-3	-6	Gold Spot (\$/oz)	1,300.41	-2.21%	0.66%
iTraxx Japan	46	3	1	CRE	184.63	0.96%	4.58%
iTraxx Australia	72	5	-5	GSCI	398.70	1.60%	5.90%
CDX NA IG	59	2	-3	VIX	9.78	-6.86%	-25.85%
CDX NA HY	107	0	1	CT10 (bp)	2.275%	9.00	9.30
iTraxx Eur Main	57	5	-2	USD Swap Spread 10Y (bp)	-5	-1	1
iTraxx Eur XO	254	26	3	USD Swap Spread 30Y (bp)	-34	0	0
iTraxx Eur Sfr Fin	57	8	1	TED Spread (bp)	29	0	-2
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	14	-1	-1
iTraxx Sovx CEEMEA	35	-7	-11	Euro Libor-OIS Spread (bp)	3	#N/A N/A	#N/A N/A
					21-Sep	1W chg	1M chg
				AUD/USD	0.802	0.14%	0.97%
				USD/CHF	0.971	-0.76%	-0.90%
				EUR/USD	1.188	-0.34%	0.54%
				USD/SGD	1.351	-0.27%	0.76%
Korea 5Y CDS	69	1	4	DJIA	22,413	1.15%	3.27%
China 5Y CDS	58	2	-8	SPX	2,508	0.40%	3.29%
Malaysia 5Y CDS	67	1	-12	MSCI Asia	679	1.32%	4.61%
Philippines 5Y CDS	62	2	-6	HSI	28,128	0.84%	3.58%
Indonesia 5Y CDS	100	4	-11	STI	3,218	-0.09%	-0.89%
Thailand 5Y CDS	49	0	-9	KLCI	1,774	-0.70%	0.11%
				JCI	5,907	1.04%	0.78%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Sep-17	Export-Import Bank of Korea	'AA/Aa2/NR'	SGD200mn	5-year	5YSOR+55bps
20-Sep-17	Olam International Ltd	Not Rated	JPY8bn	5-year	0.9825%
20-Sep-17	QBE Insurance Group Limited	Not Rated	USD300mn	6-year	CT6+130bps
20-Sep-17	Sunshine 100 China Holdings Ltd	Not Rated	USD235mn	3NC2	8.5%
19-Sep-17	HSBC Institutional Trust Services (Singapore) Ltd (Mapletree Logistics Trust)	Not Rated	SGD180mn	Perp NC5.5	3.65%
19-Sep-17	SP PowerAssets Ltd	'AA/NR/NR'	USD600mn	10-year	CT10+77.5bps
19-Sep-17	Eastern Creation II Investment Holdings Ltd	'NR/A1/A+'	USD700mn	3-year	CT3+125bps
18-Sep-17	Hyundai Capital America	Not Rated	USD300mn	3-year	CT3+122bps
18-Sep-17	Hyundai Capital America	Not Rated	USD250mn	3-year	3mL+100bps
18-Sep-17	Hyundai Capital America	Not Rated	USD450mn	5-year	CT5+142bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has assigned Australian Technology Innovators Pty Limited ("ATI") a corporate family rating (CFR) of 'Ba3'. At the same time, Moody's has assigned LEAP Legal Software Pty Limited's ("LEAP") backed senior secured term loan facility a 'Ba3' rating. At the same time, Moody's has withdrawn LEAP's provisional CFR of 'Ba3'. The rating action follows the completion of LEAP's merger with InfoTrack Group Pty Ltd, with ATI being the holding company of the merged group. The outlook on the ratings are stable. The ratings reflects ATI's leading position in Australia's market for legal practice management platforms for smaller legal and conveyancing firms, solid cash flow generation and high barriers to entry. However, the ratings are constrained by the company's high leverage and relatively small scale. Fitch has downgraded China Life Insurance Company Limited's (China Life) Long-Term Issuer Default Rating (IDR) to 'A' from 'A+', while affirming its Insurer Financial Strength (IFS) Rating at 'A+'. The outlook is stable. The rating action reflects China Life's weakened standalone credit strength due to a large increase in risky asset exposure, as China Life acquired a few large single-name stakes in 2016. Fitch has affirmed CTBC Bank Co Ltd's (CTBC Bank) Issuer Default Ratings (IDRs) and National Ratings, while revising the outlook to stable from negative. At the same time, Fitch has downgraded the rating on CTBC bank's parent, CTBC Financial Holding Co Ltd (CTBC Holding), and its sister companies, Taiwan Life Insurance Co Ltd (Taiwan Life) and CTBC Securities Co Ltd (CTBC Securities) by one notch. The rating action on CTBC Bank reflects its enhanced capital profile and focus on organic growth. On the other hand, the downgrade on CTBC Holding reflects the continued growth of Taiwan Life, which is a significant part of the CTBC group, but has a weaker standalone strength than CTBC Bank.

Credit Headlines:

Commerzbank AG (CMZB): CMZB (total assets: EUR487.3bn as at June 2017) is reportedly in the sights of UniCredit AG (total assets: EUR827.1bn as at June 2017) who has made an informal approach to the German government to acquire CMZB. While the German government is CMZB's largest shareholder (at 15.5% stake), its recent statements have affirmed that the government's interest (which is a legacy of the global financial crisis) is largely financial rather than strategic and that it would sell its stake should it be beneficial to do so for taxpayers. Both CMZB ('A-/Aa2/NR') and Unicredit ('BBB/Baa2/BBB+') are currently undertaking restructuring and transformation exercises to improve their fundamentals and as such, any potential acquisition could be a medium term event rather than on the short term horizon. We will continue to monitor and update as necessary. We currently have a Neutral issuer profile on CMZB. We do not cover Unicredit AG (OCBC, Reuters, Bloomberg)

Swissco Holdings Ltd ("SWCH"): The judicial managers for SWCH announced on 18/09/17 that SWCH has entered into a sale and purchase agreement with Asian Strategic Turnaround Ventures Pte Ltd (the "Purchaser") for the divestment of 26 vessels (via the sale of the equities of the entities that hold these vessels). The vessels include OSVs, tugs and barges. Currently, only 10 of the 26 vessels are deployed and generating revenue. The balance are not under charter and are minimally utilized, unutilized or laid-up by SWCH. In addition, 16 of the vessels are currently mortgaged (with divestment proceeds used in part to pay down such facilities). The aggregate consideration to be paid totals USD28.5mn in cash (with USD3.15mn being held as deposit). The Purchaser also agreed to provide a loan of USD4mn to one of the entities being disposed (to facilitate the discharge of mortgages held by that entity). The net book value of these entities to be divested were approximately USD41.2mn as of end-2016. As such, the divestment would generate a loss of USD12.7mn. The judicial managers have until 31/10/17 to present to creditors a statement of proposals. (Company)

G8 Education Ltd (G8): G8 has announced that it has contracts in place to acquire a portfolio of 19 existing early education and childcare centres in Australia for a consideration of AUD27mn. The contracts are conditional upon customary licensing and landlord approvals. The acquisition of these centres are in addition to the acquisitions mentioned previously in [OCBC Asian Credit Daily - 21 Aug 2017](#). Management stated that it will finance the acquisition via existing cash and financing reserves. The acquisition is expected to finalise before end Oct 2017. We do note that G8 has a cash balance of AUD161mn as at 30 Jun 2017, and cash/current borrowing stands at 3.24x. As per G8, the centres are expected to contribute approximately AUD1mn in EBIT for the 2017 financial year, subject to the timing of settlement. Comparatively, EBIT and underlying EBIT for 1H2017 was AUD60mn and AUD61.6mn respectively, and guidance for FY2017 underlying EBIT (prior to the acquisition of these 19 centres) was mid-AUD170mn. We believe that the acquisitions will not significantly affect G8's credit profile, given the size of this acquisition relative to G8's cash balance and current financing needs. (Company, 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