

Jun 22, 2017

Credit Headlines (Page 2 onwards): CMA CGM S.A. (acquired by Neptune Orient Lines, "NOL"), China Vanke Ltd, CK Hutchison

Market Commentary: The SGD swap curve traded downwards yesterday, with rates trading 3-5bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, STHSP 3.95%-PERPs, mixed interest seen in and GUOLSP 3.85%'23s, LBBW 3.75%'27s. In the broader dollar space, the spread on JACI IG corporates changed little at 196bps. Likewise, the yield on JACI HY corporates changed little at 6.76%. 10y UST yields rose by 1bps to 2.16%, closing little changed as markets lack a clear direction.

New Issues: Westpac Banking Corp priced a USD1.5bn two-tranche deal, with the USD1bn 5-year tranche at CT5+77bps, tightening from initial guidance of CT5+87.5bps; the USD500mn 5-year tranche is priced at 3mL+71bps. The expected issue ratings are 'AA-/Aa3/NR'. Suntory Holdings Ltd priced a USD600mn 5-year bond at CT5+82bps, tightening from the initial guidance of CT5+100-105bps area. China Reinsurance Finance Corp. Ltd. has set final guidance for its USD700mn re-tap of existing CNREFI 3.375%'22s at CT5+195bps, tightening from initial guidance of CT5+220bps. NTT Finance has scheduled investors calls from 21 Jun for potential USD 3-year bond issuance. Franshion Brilliant Ltd has scheduled investor roadshows from 21 Jun for potential USD Perp NC5.5 issuance (guaranteed by China Jinmao Holdings Group Ltd). The expected issue ratings are 'NR/Baa3/NR'. CSCEC Finance (Cayman) II Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by China State Construction Engineering Corp Ltd). The expected issue ratings are 'A/A2/A'. Kyobo Life Insurance Co. Ltd has scheduled investor roadshows from 26 Jun to 7 Jul for potential USD bond issuance. The expected issue ratings are 'NR/A3/A-'.

Rating Changes: Moody's upgraded DIC Corporation's (DIC) issuer rating to 'Baa2' from 'Baa3'. The rating outlook is stable. The rating action reflects the meaningful progress that the company has made in reducing its financial leverage over the last few years, while improving its cash flow and profitability.

Table 1: Key Financial Indicators

	22-Jun	1W chg (bps)	1M chg (bps)		22-Jun	1W chg	1M chg
iTraxx Asiax IG	87	2	-3	Brent Crude Spot (\$/bbl)	44.85	-4.41%	-16.74%
iTraxx SovX APAC	18	1	-2	Gold Spot (\$/oz)	1,252.96	-0.08%	-0.61%
iTraxx Japan	40	0	-3	CRB	167.42	-3.24%	-10.02%
iTraxx Australia	85	2	2	GSCI	352.70	-2.53%	-10.41%
CDX NA IG	63	3	0	VIX	10.75	1.03%	-1.65%
CDX NA HY	107	-1	-1	CT10 (bp)	2.148%	-1.60	-10.60
iTraxx Eur Main	55	-2	-7	USD Swap Spread 10Y (bp)	-4	-1	3
iTraxx Eur XO	233	-6	-20	USD Swap Spread 30Y (bp)	-33	3	13
iTraxx Eur Snr Fin	60	-2	-9	TED Spread (bp)	30	4	3
iTraxx Sovx WE	6	-1	-3	US Libor-OIS Spread (bp)	13	2	-1
iTraxx Sovx CEEMEA	56	5	9	Euro Libor-OIS Spread (bp)	3	1	0
					22-Jun	1W chg	1M chg
				AUD/USD	0.755	-0.40%	0.96%
				USD/CHF	0.972	0.31%	0.11%
				EUR/USD	1.117	0.20%	-0.62%
				USD/SGD	1.389	-0.37%	-0.21%
Korea 5Y CDS	52	2	-4	DJIA	21,410	0.17%	2.47%
China 5Y CDS	69	2	-10	SPX	2,436	-0.09%	1.74%
Malaysia 5Y CDS	87	4	-16	MSCI Asiax	625	0.65%	1.57%
Philippines 5Y CDS	78	5	-1	HSI	25,697	0.51%	1.20%
Indonesia 5Y CDS	118	4	-7	STI	3,210	-0.70%	-0.12%
Thailand 5Y CDS	61	3	5	KLCI	1,776	-0.79%	0.06%
				JCI	5,821	0.77%	1.24%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
21-Jun-17	Westpac Banking Corp	'AA-/Aa3/NR'	USD1bn	5-year	CT5+77bps
21-Jun-17	Westpac Banking Corp	'AA-/Aa3/NR'	USD500mn	5-year	3mL+71bps
21-Jun-17	Suntory Holdings Ltd	Not Rated	USD600mn	5-year	CT5+82bps
20-Jun-17	Wing Tai Holdings Ltd.	Not Rated	SGD150mn	Perp NC5	4.08%
20-Jun-17	Export-Import Bank of Korea	'AA/Aa2/NR'	USD400mn	5-year	3mL+80bps
20-Jun-17	Gome Electrical Appliances Holdings Ltd	'BB-/NR/NR'	USD100mn	GOME 5%'20	100.625
19-Jun-17	Industrial & Commercial Bank of China Ltd	'NR/A1/NR'	USD300mn	3-year	3mL+77bps
19-Jun-17	Industrial & Commercial Bank of China Ltd	'NR/A1/NR'	USD400mn	5-year	3mL+90bps
19-Jun-17	Road King Infrastructure	Not Rated	USD300mn	Perp NC5	7%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's assigned a definitive 'B1' corporate family rating to Huachen Energy Co. Ltd. and a definitive 'B2' rating to its senior unsecured bonds. The rating outlook is stable. The rating action follows the company's completion of its USD bond issuance, the final terms and conditions of which are consistent with Moody's expectations. Moody's affirmed United Urban Investment Corporation's (UUR) 'A3' issuer rating and revised its rating outlook to stable from positive. The rating action reflects Moody's expectation that, over time, UUR will maintain leverage around the current range. Moody's assigned an 'A2' senior unsecured debt rating to the proposed USD notes to be issued by CSCEC Finance (Cayman) II Limited and guaranteed by China State Construction Engineering Corporation Limited. The rating outlook is stable. Fitch has assigned China Gezhouba Group Company Limited (CGGCL) a Foreign-Currency Issuer Default Rating (IDR) and senior unsecured rating of 'BBB+'. The Outlook is Stable. The rating action reflects Fitch's expectation that China Energy Engineering Corporation Limited (CEEC), which indirectly owns 42.34% of CGGCL, will continue to support CGGCL, as CGGCL's strategic importance to CEEC is reflected in its status as the sole hydropower engineering and construction (E&C) company of CEEC.

Credit Headlines:

CMA CGM S.A. (acquired Neptune Orient Lines, "NOL"): WSJ reported that Cosco Group (#4 container liner) is in advanced talks to acquire Orient Overseas Container Liner ("OOCL", #7 container liner), in a deal worth at least USD4bn. The deal could be reached as early as July. Cosco Group is a China state-owned enterprise, and was formed from the recent merger between Cosco Group and China Shipping Container Lines Co Ltd ("CSCL"). OOCL is Hong Kong listed and controlled (68.7% owned) by former Hong Kong Chief Executive Tung Chee-Hwa's family. The shares of OOCL have already risen more than 60% this year. Should a transaction occur, the combined entity would become the 3rd largest container liner with 2.4mn TEU, outpacing CMA CGM's 2.3mn TEU. In general, the container liner industry has seen a wave of consolidation, with several giants formed. The transaction could actually have a positive impact on CMA CGM as all three liners are part of the new OCEAN Alliance (Cosco, OOCL, Evergreen and CMA CGM). The alliance commenced on 01/04/17, and would last for 10 years. Cosco and OOCL could potentially reap synergies, hence a stronger partner would be to CMA CGM's benefit. Industry capacity could also be better managed, potentially supporting container shipping rates. (WSJ, OCBC)

China Vanke Ltd ("VNRKLE"): Wang Shi, the founder and current Chairman of VNRKLE has announced his intention to step down as Chairman of the company by end-June 2017. A new slate of directors is expected to be appointed during VNRKLE's annual general meeting then. Wang Shi added that he is supportive of VNRKLE's President Yu Liang to take-over the chairmanship. Yu Liang joined VNRKLE in 1990 (about 6 years after the founding of VNRKLE) and had been on the board since 1994. We expect a smooth transition in end-June given that Yu Liang had been flagged a year back as Wang Shi's choice candidate to replace him and that Shenzhen Metro (the major shareholder) is agreeable to Yu Liang as successor. (South China Morning Post, OCBC)

CK Hutchison ("CKHH"): AS Watson Group, a 75%-owned subsidiary of CKHH is reportedly in early talks to buy Holland & Barrett for GBP1bn (~HKD9.9bn). The remaining 25% of AS Watson Group is held by Temasek. Holland & Barrett is a major health foods retailer and is owned by NBTY, a manufacturer of vitamins and nutritional supplements. NBTY is in turn owned by the private equity firm, The Carlyle Group. CKHH's aim is to increase its proportion of own label and exclusive products within its retail business and we believe this possible acquisition is in line with such plans. Separately, CK Infrastructure Holdings Ltd (72%-owned by CKHH) is also reportedly bidding for Ista's metering unit, a Germany-based electricity metering business. The equity value for the transaction could be USD2.2bn (~HKD17.2bn). Collectively, should the two possible transactions transpire, we expect CKHH's net gearing to rise to ~0.4x (as at 31 December 2016: 0.3x). (SkyNews, Bloomberg, OCBC)

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