

Sep 27, 2017

**Credit Headlines (Page 2 onwards):** ABN Amro Group NV, BreakTalk Group Ltd, Ezion Holdings Ltd, Fraser and Neave Ltd

**Market Commentary:** The SGD swap curve traded mostly upwards yesterday, with swap rates trading 1-2bps higher across most tenors. However, the 15-year and 30-year tenors traded 1bps and 5bps lower respectively. Flows in SGD corporates were heavy, with better buying seen in SIASP 3.13'21s, OLAMSP 5.5%-PERPs, better selling seen in HSBC 4.7%-PERPs, and mixed interest seen in PREHSP 4.55%'20s, TATAIN 4.95%'23s. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 186bps, while the yield on JACI HY Corp traded little changed at 6.79%. 10Y UST yields rose 2bps to 2.24%, as odds of a December rate hike increased after Fed Chair Yellen stated that the Fed should avoid hiking rates "too gradually".

**New Issues:** CK Hutchison International (17) (II) Ltd has priced a three tranche deal (guaranteed by CK Hutchison Holdings Ltd), with the USD1bn 3-year bond priced at CT3+77.5bps, tightening from initial guidance of CT3+95bps; the USD750mn 5.5-year bond priced at CT5.5+92.5bps, tightening from initial guidance of CT5.5+110bps; and the USD500mn 10-year bond priced at CT10+107.5bps, tightening from initial guidance of CT10+125bps. The expected issue ratings are 'A-/A3/A-'. Green Fortune Capital Ltd has priced a USD150mn 2-year bond (guaranteed by Ever Dragon Investments Group Ltd) at 9%, unchanged from initial guidance of 9%. Qinghai Provincial Investment Group Co Ltd has priced a USD300mn 363-day bond at 6.3%, in line with final guidance of 6.3%. Geo Energy Resources Limited has proposed to issue US Dollar-denominated bonds due 2022. Geo Energy Resources Limited had previously proposed to issue the bonds on 7 Jul but decided not to proceed with the offering.

**Rating Changes:** Moody's has affirmed ABB Ltd's (ABB) 'A2' issuer rating. The outlook is stable. The affirmation reflects the fact that ABB's leverage would only change moderately pro-forma the acquisition of General Electric Company's Industrial Solutions and B&R.

**Table 1: Key Financial Indicators**

	27-Sep	1W chg (bps)	1M chg (bps)		27-Sep	1W chg	1M chg
iTraxx Asiax IG	82	4	5	Brent Crude Spot (\$/bbl)	58.61	4.12%	11.83%
iTraxx SovX APAC	17	1	-2	Gold Spot (\$/oz)	1,294.80	-0.48%	-1.17%
iTraxx Japan	46	1	4	CRB	183.40	0.45%	3.13%
iTraxx Australia	73	1	1	GSCI	401.57	2.05%	5.94%
CDX NA IG	59	0	-1	VIX	10.17	-0.10%	-9.84%
CDX NA HY	107	0	0	CT10 (bp)	2.236%	-3.19	6.98
iTraxx Eur Main	58	2	3	USD Swap Spread 10Y (bp)	-4	0	2
iTraxx Eur XO	257	3	15	USD Swap Spread 30Y (bp)	-32	2	3
iTraxx Eur Snr Fin	60	4	6	TED Spread (bp)	28	-1	-3
iTraxx Sovx WE	5	1	-1	US Libor-OIS Spread (bp)	14	-1	-1
iTraxx Sovx CEEMEA	42	7	-2	Euro Libor-OIS Spread (bp)	3	0	0
					27-Sep	1W chg	1M chg
				AUD/USD	0.788	-1.86%	-1.02%
				USD/CHF	0.970	-0.02%	-1.52%
				EUR/USD	1.179	-0.85%	-1.57%
				USD/SGD	1.355	-0.47%	-0.10%
Korea 5Y CDS	74	6	16	DJIA	22,284	-0.39%	2.16%
China 5Y CDS	62	4	5	SPX	2,497	-0.39%	2.20%
Malaysia 5Y CDS	70	3	-2	MSCI Asiax	659	-2.89%	-0.17%
Philippines 5Y CDS	65	3	3	HSI	27,513	-2.19%	-1.20%
Indonesia 5Y CDS	104	4	1	STI	3,212	-0.20%	-1.47%
Thailand 5Y CDS	52	2	-2	KLCI	1,767	-0.54%	-0.12%
				JCI	5,864	-0.35%	-0.87%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
26-Sep-17	CK Hutchison International (17) (II) Ltd	'A-/A3/A-'	USD1bn	3-year	CT3+77.5bps
26-Sep-17	CK Hutchison International (17) (II) Ltd	'A-/A3/A-'	USD750mn	5.5-year	CT5.5+92.5bps
26-Sep-17	CK Hutchison International (17) (II) Ltd	'A-/A3/A-'	USD500mn	10-year	CT10+107.5bps
26-Sep-17	Green Fortune Capital Ltd	Not Rated	USD150mn	2-year	9%
26-Sep-17	Qinghai Provincial Investment Group Co Ltd	Not Rated	USD300mn	363-day	6.3%
25-Sep-17	Nan Fung Treasury Ltd	'BBB-/NR/BBB'	USD410mn	10-year	CT10+175bps
25-Sep-17	Yuzhou Properties Co Ltd	'NR/B1/NR'	USD300mn	Perp NC5	5.375%
25-Sep-17	Voyage Bonds Ltd	'NR/NR/A-'	USD400mn	5-year	CT5+162.5bps
25-Sep-17	Hanjin International Corp	'NR/Aa2/NR'	USD300mn	3-year	3mL+95bps
25-Sep-17	Nissan Motor Acceptance Corp	Not Rated	USD550mn	3-year	CT3+62bps

Source: OCBC, Bloomberg

## Credit Headlines:

**ABN Amro Group NV (“ABN”):** ABN has announced that it will be calling its ABNANV 4.7% 22c17 on the 25 Oct 2017 call date. This is not surprising given the relatively high reset spread of 379bps. In comparison, the more recently issued ABNANV 4.75% 26c21 is currently trading at a spread of 128bps over swaps (YTC) which represents better value against other Tier 2 papers from Aussie and Euro peers (in particular the ANZ 3.75% 27c22 and BNP 4.3% 25c20). Within the Tier 2 space, we still like the BPCE papers for the spread pick up for similar ratings and tenor while we see the CMZB 4.875% 27c22 slightly expensive considering its still recovering fundamentals. (OCBC, Company)

**BreadTalk Group Ltd (“BGL”):** BGL has announced the acquisition of a property located in Holland Village. The cost of 22 and 22A Lorong Mambong, Singapore 277681 is SGD16.2mn, and is relatively small compared to BGL's existing resources. As such, the transaction does not alter our Neutral Issuer Profile (Company, OCBC)

**Ezion Holdings Limited (“EZI”):** EZI has announced that it intends to facilitate the formation of an informal steering committee to represent EZI bondholders in general. This is to facilitate discussions as well as to obtain feedback with regards to EZI's restructuring. This step is consistent with the other restructurings in the offshore marine space that we have seen. It is worth noting that there will be two committees: one to represent straight bondholders while the other to present the holders of EZI's perpetual securities. This segregation makes sense given that the perpetual securities are structurally subordinated relative to the straight bonds (and hence its holders may have different incentives). It is also worth noting that the holders of the EZISP 3.65% '20s bond (that are supported by a committed funding facility by DBS) are excluded from the participation in these informal steering committees. Similarly, the incentives of these bondholders are different from the other senior unsecured bonds of EZI, due to the support from the committed funding facility. We expect that more details regarding EZI's intended restructuring process will be shared on Monday (02/10/17) during the second informal bondholders' meeting. (Company, OCBC)

**Fraser and Neave Ltd (“FNN”):** FNN has announced that it may acquire a further 1.5% stake (21,769,846 shares) in Vinamilk. Based on the current market price of Vinamilk shares, the stake is worth ~SGD192mn. We note that FNN had recently (on 14/08/17) priced a SGD200mn 5-year bond, and that the proceeds could be used to fund this stake purchase. As estimated previously, assuming FNN fully utilises the proceeds, we expect net gearing to increase to 12.5% (3QFY17: 6.2%). Looking forward, we continue to see the potential for further supply risk as FNN could opportunistically continue to increase its stake in Vinamilk. (Company, OCBC)

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