

Sep 28, 2017

Credit Headlines (Page 2 onwards): Gallant Venture Ltd

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates trading 4-10bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HRAM 3.2%’21s, and mixed interest seen in SCISP 3.6%-PERPs, ABNAV 4.75%’26s. In the broader dollar space, the spread on JACI IG Corp fell 3bps to 185bps, while the yield on JACI HY Corp rose 4bps to 6.82%. 10Y UST yields rose 7bps to 2.30%, as President Trump released more details of his tax cut plans.

New Issues: Geo Coal International Pte Ltd has priced a USD300mn 5NC3 bond (guaranteed by Geo Energy Resources Ltd and certain of its subsidiaries) at 8.35%, tightening from initial guidance of 8.75%. The expected issue ratings are ‘B/B2/B+’. Frasers Centrepoint Ltd has announced that it proposes to issue an additional SGD42mn in perpetual bonds, which will form a single series with its SGD308mn outstanding perpetual bonds. Indika Energy Tbk PT has scheduled investor meetings for potential USD bond issuance from 28 Sep.

Rating Changes: Moody’s has upgraded the ratings of BNP Paribas (BNPP) and ING Bank NV (ING Bank) as Moody’s expects a significant issuance of additional loss-absorbing capital in response to forthcoming regulatory requirements. Moody’s has upgraded BNPP’s deposit, issuer, and senior unsecured debt ratings to ‘Aa3’ from ‘A1’, as BNPP announced it will issue around EUR10 billion of junior senior unsecured debt per year to meet Total Loss Absorbing Capacity (TLAC) requirements, and the issuance will reduce loss severity for senior unsecured and junior senior creditors, as well as junior depositors. Moody’s has upgraded ING Bank NV’s (ING Bank) deposit and senior unsecured debt ratings to ‘Aa3’ from ‘A1’. The outlook has been changed to stable from positive. The rating action reflects Moody’s expectation that ING Bank’s holding company, ING Groep will continue to issue debt in order to comply with TLAC requirements.

Table 1: Key Financial Indicators

	28-Sep	1W chg (bps)	1M chg (bps)		28-Sep	1W chg	1M chg
iTraxx Asiax IG	84	4	7	Brent Crude Spot (\$/bbl)	57.72	2.29%	11.24%
iTraxx SovX APAC	17	2	-1	Gold Spot (\$/oz)	1,284.21	-0.54%	-1.98%
iTraxx Japan	46	0	4	CRB	183.86	-0.42%	3.29%
iTraxx Australia	74	2	2	GSCI	402.27	0.90%	6.71%
CDX NA IG	58	-2	-2	VIX	9.87	0.92%	-12.81%
CDX NA HY	107	0	1	CT10 (bp)	2.309%	3.20	15.14
iTraxx Eur Main	58	1	2	USD Swap Spread 10Y (bp)	-4	1	2
iTraxx Eur XO	254	1	13	USD Swap Spread 30Y (bp)	-33	1	2
iTraxx Eur Snr Fin	60	3	5	TED Spread (bp)	28	-1	-3
iTraxx Sovx WE	5	1	-1	US Libor-OIS Spread (bp)	14	-1	-2
iTraxx Sovx CEEMEA	42	-1	-2	Euro Libor-OIS Spread (bp)	3	0	0
					28-Sep	1W chg	1M chg
				AUD/USD	0.785	-0.98%	-1.41%
				USD/CHF	0.972	-0.19%	-1.76%
				EUR/USD	1.175	-1.63%	-1.95%
				USD/SGD	1.359	-0.68%	-0.38%
Korea 5Y CDS	75	5	18	DJIA	22,341	-0.32%	2.44%
China 5Y CDS	64	5	6	SPX	2,507	-0.05%	2.57%
Malaysia 5Y CDS	70	4	-2	MSCI Asiax	661	-2.40%	0.11%
Philippines 5Y CDS	66	3	4	HSI	27,642	-1.66%	-0.79%
Indonesia 5Y CDS	105	4	2	STI	3,249	1.09%	-0.57%
Thailand 5Y CDS	53	3	-2	KLCI	1,765	-0.49%	-0.26%
				JCI	5,863	-0.65%	-0.68%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
27-Sep-17	Geo Coal International Pte Ltd	‘B/B2/B’	USD300mn	5NC3	8.35%
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

Source: OCBC, Bloomberg

Rating Changes (Cont'd): S&P has upgraded Chung Kuo Insurance Co Ltd's (Chung Kuo Insurance) issuer credit rating to 'A-' from 'BBB+'. The outlook is stable. The rating action reflects S&P's view that Chung Kuo Insurance's overall financial risk profile has strengthened following its implementation of a more prudent investment strategy and risk tolerance toward foreign currency exposure. S&P has affirmed Geo Energy Resources Ltd's (Geo Energy) 'B' corporate credit rating. The outlook is stable. At the same time, S&P has assigned Geo Energy's proposed senior unsecured notes an issue rating of 'B'. The rating is similar to the rating that S&P assigned Geo Energy in July, as Geo Energy's credit profile has not changed significantly. S&P has affirmed Sunac China Holdings Ltd's (Sunac) 'B+' corporate credit rating and the 'B' issue rating on Sunac's outstanding senior unsecured notes. The outlook is negative. S&P has removed all ratings from CreditWatch, where they were placed with negative implications. The rating action reflects S&P's expectation that Sunac's revenue will grow and its margins will recover. However, S&P expects Sunac's leverage to remain high due to its aggressive expansion appetite. Moody's has downgraded The Hongkong and Shanghai Banking Corp Ltd's deposit, senior unsecured and issuer ratings to 'Aa3' from 'Aa2', its senior unsecured MTN ratings to 'Aa3' from 'Aa2', counterparty risk assessment to 'Aa2' from 'Aa1', and junior subordinated notes rating to 'A2' from 'A1'. At the same time, Moody's has downgraded the bank's baseline credit assessment (BCA) and adjusted BCA to 'A1' from 'Aa3'. The outlook on the deposit, senior unsecured, and issuer ratings has been revised to stable from negative. The rating action reflects the increased corporate and household leverage in several of the countries that The Hongkong and Shanghai Banking Corp operates in. Similarly, Moody's has downgraded the counterparty risk assessments and senior unsecured ratings of Hongkong and Shanghai Banking Corp Ltd (NZ) and Hongkong & Shanghai Banking Corp (Singapore). Moody's has upgraded Lloyds Bank Plc's (Lloyds) deposit ratings and senior unsecured debt ratings to 'Aa3' from 'A1'. The outlook has been changed to stable from under review. The rating action reflects Lloyd's improved asset risk, stable capital levels and Moody's expectation that Lloyds' profitability will continue to increase. Moody's has downgraded Hang Seng Bank Limited's deposit ratings to 'Aa3' from 'Aa2', its counterparty risk assessment to 'Aa2' from 'Aa1', and its BCA and adjusted BCA to 'a1' from 'Aa3'. The outlook on the ratings have been revised to stable from negative. The rating action reflects the increased risks posed by rising corporate and household leverage in Hong Kong and China in recent years. Fitch has affirmed Honghua Group Limited's (Honghua) Issuer Default Rating (IDR) and rating on its senior unsecured notes at 'CCC'. The rating action reflects the challenging operating environment due to the uncertainty of the global oil market.

Credit Headlines:

Gallant Venture Ltd ("GALV"): GALV has announced that it is seeking to include a call option on its sole bond outstanding, the SGD230mn 7% GALVSP'18s, with the intention of calling the bond and refinancing it via loan facilities. This would be done via a consent solicitation, with GALV paying bondholders 15bps in consent fee. The meeting is scheduled to be held on 19/10/17. Other terms in the consent solicitation exercise include the waiver of any potential events of default which may or will occur upon the incurrence of borrowed moneys by GALV when the loan facilities are drawn down on to refinance the bonds. To be clear, the waiver of such potential defaults are contingent on GALV redeeming the bonds within 15 business days post the incurrence of default upon utilizing the loan facilities (assuming that the consent solicitation has passed). In parallel, GALV is also conducting a tender offer for the bonds (current expiration deadline is 16/10/17), with GALV paying par and accrued interest for the bonds. GALV is also offering an Early Tender Premium of 35bps should the bonds be tendered by 10/10/17. The tender settlement conditions include 1) receipt of proceeds from the loan facilities for refinancing and 2) the passing of the consent solicitation. We currently hold GALV at an Negative Issuer Profile given GALV's tight liquidity situation and negative free cash flow. With the bonds trading at around 98c before the announcement, we recommend that investors either tender the bonds early to enjoy the Early Tender Premium, or agree to the terms of the consent solicitation to facilitate GALV's attempts to refinance its bonds. (Company, OCBC)

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