

January 4, 2017

Credit Headlines (Page 2 onwards): Genting Singapore PLC, CIMB Group Holding Berhad, China Vanke Co. Ltd., Central China Real Estate Ltd., Industry Outlook – Hong Kong Property

Market Commentary: The SGD swap curve flattened with shorter end swap rates (less than 3Y) increasing by roughly 1bps while the middle to longer end fell by 1-3bps. In the broader dollar space, the spread on JACI IG Corporates remained unchanged at 197bps. Likewise, the yield on JACI HY Corporates held steady at 6.96%. 10Y UST yield was relatively unchanged at 2.45%, after early session losses were pared back after the market absorbed the stronger ISM manufacturing data.

New Issues: Westpac Banking Corporation priced a USD1.75bn two-tranche deal with the USD1.25bn 5-year bond priced at CT5+88bps (tightening from initial guidance at CT5+105bps) and the USD500mn, 5-year bond priced at 3mL+85bps. The expected issue ratings are “AA-/Aa2/NR”. The Republic of Korea has scheduled investor roadshows from 9 January onwards for a potential USD bond issuance.

Rating Changes: Moody’s downgraded Chiyu Banking Corporation Ltd.’s long-term deposit ratings to “A2” from “A1”, and its long-term Counterparty Risk Assessment to “A1” from “Aa3”. The rating follows Bank of China (Hong Kong)’s (BOCHK) sale-and-purchase agreement with Xiamen International Investment Limited and the proposed disposal by BOCHK of its majority stake in Chiyu Bank.

Table 1: Key Financial Indicators

	4-Jan	1W chg (bps)	1M chg (bps)		4-Jan	1W chg	1M chg
iTraxx Asiax IG	119	-2	-4	Brent Crude Spot (\$/bbl)	55.81	-0.50%	2.48%
iTraxx Sovx APAC	36	-2	-5	Gold Spot (\$/oz)	1,158.28	1.45%	-1.03%
iTraxx Japan	57	8	1	CRB	190.15	-0.20%	-0.81%
iTraxx Australia	102	-1	-6	GSCI	390.66	-0.31%	1.11%
CDX NA IG	66	-2	-6	VIX	12.85	12.33%	-8.99%
CDX NA HY	107	1	2	CT10 (bp)	2.467%	-4.15	8.34
iTraxx Eur Main	69	-3	-9	USD Swap Spread 10Y (bp)	-14	-3	2
iTraxx Eur XO	280	-10	-46	USD Swap Spread 30Y (bp)	-51	-6	3
iTraxx Eur Snr Fin	89	-5	-19	TED Spread (bp)	50	1	2
iTraxx Sovx WE	20	0	-3	US Libor-OIS Spread (bp)	33	-1	0
iTraxx Sovx CEEMEA	80	-1	-18	Euro Libor-OIS Spread (bp)	3	0	-1
					4-Jan	1W chg	1M chg
				AUD/USD	0.723	0.75%	-3.23%
				USD/CHF	1.028	0.03%	-2.11%
				EUR/USD	1.040	-0.13%	-3.39%
				USD/SGD	1.449	0.08%	-2.08%
Korea 5Y CDS	44	-1	-3	DJIA	19,882	-0.26%	3.71%
China 5Y CDS	117	-2	2	SPX	2,258	-0.26%	3.01%
Malaysia 5Y CDS	137	-2	-16	MSCI Asiax	517	2.06%	-0.84%
Philippines 5Y CDS	108	-4	-8	HSI	22,201	2.90%	-1.61%
Indonesia 5Y CDS	157	-2	-14	STI	2,906	0.70%	-0.46%
Thailand 5Y CDS	80	1	-9	KLCI	1,640	1.23%	0.66%
				JCI	5,276	4.94%	0.57%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
04-Jan-17	Westpac Banking Corporation	“AA-/Aa2/NR”	USD1.25bn	5-year	CT5+88bps
04-Jan-17	Westpac Banking Corporation	“AA-/Aa2/NR”	USD500mn	5-year	3mL+85bps
03-Jan-17	R&F Properties	“NR/NR/BB”	USD265mn	5NC3	5.95%
13-Dec-16	Shandong Ruyi Technology Group	“B-/B3/NR”	USD250mn	3-year	8.2%
13-Dec-16	L.R. Capital Global Markets	“NR/NR/NR”	USD150mn	3-year	5%
12-Dec-16	BOCOM Financial Leasing	“A2/NR/NR”	USD150mn	5-year	3.5%
12-Dec-16	BOCOM Financial Leasing	“A2/NR/NR”	USD150mn	7-year	4.5%
9-Dec-16	Danyang Investment	“NR/NR/NR”	USD220mn	3-year	5.85%
9-Dec-16	Fujian Zhanglong Group Co. Ltd.	“NR/NR/BB+”	USD150mn	3-year	4.8%

Source: OCBC, Bloomberg

Credit Headlines:

Genting Singapore PLC (“GENS”): As a follow up to the announcement made early November 2016, GENS has completed the divestment of its 50% stake in the South Korea integrated resort joint venture (“Jeju IR”), selling the stake to its JV partner, Landing International Development Limited (“LIDL”). Instead of in two separate tranches as originally proposed, the aggregate cash consideration was fully paid upon completion on 03/01/17 and totalled ~USD411mn (slightly lower than the original USD420mn in cash announced earlier). GENS indicated that it would book a divestment gain of ~SGD96.3mn, and we believe this will be reflected in 1Q2017 results. (Company, OCBC)

CIMB Group Holdings Berhad (“CIMB”): Similar to Australia and New Zealand Banking Group Ltd.’s recent announcement of the sale of its 20% stake in Shanghai Rural Commercial Bank, last week CIMB also announced the sale of its 18.2% stake in Bank of YingKou Co. Ltd. for around MYR972mn via a share transfer agreement. The bank also signed a long term collaboration agreement with Bank of YingKou Co. Ltd. to conduct ongoing business. Credit positives from the sale are the capital accretive impact as deductions on CIMB’s capital from its minority investment holdings will decrease which should bring the CET1 ratio in line with or above its T18 strategic target of 11% (10.9% as at 30/09/16). It’s also in line with the bank’s broader T18 strategy to focus on core businesses in core markets while at the same time remaining exposed to business opportunities in China in a more asset light manner. Proceeds are likely to be used for the bank’s existing businesses which remain anchored in South East Asia, including the recent commencement of branch banking operations in Vietnam at the end of 2016. This presents the one potential credit negative from the transaction given execution risks in the higher risk operating environment of Vietnam. That said, CIMB’s strategy is gaining ground as it approaches the half way mark of its Target 2018 strategy with solid 2016 results underpinned by progress in its strategic initiatives. We maintain our neutral issuer profile on CIMB. (OCBC, Company, Bloomberg)

China Vanke Co. Ltd. (“VANKE”): VANKE has announced that its Trustee has agreed to the substitution of Bestgain Real Estate Lyra Limited (original issuer of the VANKE 3.275% ‘17 bonds) with Vanke Real Estate (Hong Kong) Company Limited as the new issuer. The latter was previously the guarantor and post this change, its obligations as guarantor will be released. 5 other bonds that are issued by Bestgain Real Estate Lyra Limited will also be subject to this change. We see this as credit neutral. (Company, OCBC)

Central China Real Estate Ltd. (“CENCHI”): CENCHI has announced that it is entering a joint venture to engage in insurance, reinsurance, fund application business and other businesses as approved by the insurance regulatory authorities (subject to regulatory approvals). The registered capital of RMB3bn will be required to be paid in cash, of which CENCHI’s portion would amount to RMB360mn. We think this RMB360mn of possible outflow is manageable for CENCHI (especially as it pertains to the CENCHI 6.5% ‘17s), as such maintaining our Neutral issuer profile on the company. (Company, OCBC)

Industry Outlook – Hong Kong Property: Hong Kong property prices continued to rise another 0.8% m/m in November 2016, according to the Hong Kong property Price Index of Private Domestic Units (All Class). This represents the 8th consecutive month of increase, with property prices higher by 13.0% since Mar 2016 and surpassing the previous peak achieved in Sep 2015. While the data paints a bullish picture on the property market as it includes the period post the imposition of the 15% stamp duty rate for non-first-time local buyers on 05/11/16, we believe that the continued pace of price increases is not sustainable. The average Hong Kong citizen has been priced out of the property market, and investment sentiments may be kept in check in 2017 as investors face a significantly higher price tag to acquire an investment property, with the total payable stamp duty for non-permanent Hong Kong residents standing at 30%. Recently, we also saw China stepping up on capital controls on overseas property purchases while the rate hike by the Hong Kong Monetary Authority may lead to an increase in borrowing rates for housing loans. (Hong Kong Rating and Valuation Department, 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

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