

April 5, 2017

Credit Headlines (Page 2 onwards): Australia and New Zealand Banking Group Ltd., Oxley Holdings Ltd, Singapore Telecommunications Ltd ("SingTel") / StarHub Ltd ("StarHub"), Cambridge Industrial Trust , Ascott Residence Trust

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 1-4bps lower across all tenors. Flows in SGD corporates were heavy, with better selling seen in UOBSP 3.5%'29s and mixed interest in FCLSP 4.15%'27s, GUOLSP 3.62%'21s, BNP 3.65%'24s. In the broader dollar space, the spread on JACI IG corporates rose 3bps to 197bps while the yield on JACI HY fell 2bps to 6.57%. 10y UST yields rose 4bps to 2.36% yesterday, as markets weighed fading optimism about fiscal stimulus against the risk of Federal Reserve interest-rate increases and potential changes to the central bank's balance-sheet policy.

New Issues: PT Saka Energi Indonesia hired banks for potential USD bond issuance.

Rating Changes: S&P affirmed National Bank of Abu Dhabi's (NBAD) ratings at 'AA-' and removed them from CreditWatch with negative implications. At the same time, the 'A' ratings on First Gulf Bank PJSC (FGB) were withdrawn. This follows the NBAD's announcement that it has completed its merger with FGB on March 30, 2017 with NBAD assuming FGB's existing debt. The outlook on NBAD's ratings is stable reflecting S&P's view that NBAD will maintain its strong franchise and its resilient financial profile thanks to its strong earnings generation, robust capitalization, and sound asset quality despite the difficult operating environment in the Gulf.

Table 1: Key Financial Indicators

	5-Apr	1W chg (bps)	1M chg (bps)		5-Apr	1W chg	1M chg
iTraxx Asiax IG	94	0	-1	Brent Crude Spot (\$/bbl)	54.29	3.57%	-2.88%
iTraxx Sovx APAC	21	0	-7	Gold Spot (\$/oz)	1,254.55	0.09%	2.39%
iTraxx Japan	44	0	-7	CRB	185.59	0.82%	-2.17%
iTraxx Australia	84	-1	1	GSCI	389.41	1.19%	-2.30%
CDX NA IG	66	-1	6	VIX	11.79	2.25%	7.57%
CDX NA HY	107	0	-1	CT10 (bp)	2.350%	-2.68	-12.83
iTraxx Eur Main	75	1	5	USD Swap Spread 10Y (bp)	-2	0	2
iTraxx Eur XO	293	2	14	USD Swap Spread 30Y (bp)	-39	-1	1
iTraxx Eur Snr Fin	92	4	5	TED Spread (bp)	36	-1	-4
iTraxx Sovx WE	12	1	-8	US Libor-OIS Spread (bp)	22	-1	-3
iTraxx Sovx CEEMEA	52	0	-12	Euro Libor-OIS Spread (bp)	2	0	0
					5-Apr	1W chg	1M chg
				AUD/USD	0.757	-1.30%	-0.12%
				USD/CHF	1.002	-0.56%	1.02%
				EUR/USD	1.068	-0.81%	0.92%
				USD/SGD	1.398	-0.26%	1.03%
Korea 5Y CDS	51	-1	3	DJIA	20,689	-0.06%	-1.51%
China 5Y CDS	81	-1	-9	SPX	2,360	0.07%	-0.96%
Malaysia 5Y CDS	106	1	-3	MSCI Asiax	584	-0.47%	4.48%
Philippines 5Y CDS	81	-1	-5	HSI	24,318	-0.11%	3.25%
Indonesia 5Y CDS	127	0	-2	STI	3,176	-0.28%	1.71%
Thailand 5Y CDS	52	-2	-5	KLCI	1,743	-0.40%	2.05%
				JCI	5,658	1.17%	4.95%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
3-Apr-17	Indika Energy Capital II Pte. Ltd.	"NR/Caa1/B-"	USD265mn	5NC3	6.95%
3-Apr-17	State Bank of India (re-tap)	"BBB-/Baa3/BBB-"	USD100mn	3-year	3mL+95bps
30-Mar-17	Keppel REIT MTN Pte. Ltd.	Not Rated	SGD75mn	7-year	3.275%
30-Mar-17	Frasers Centrepoint Ltd. (re-tap)	Not Rated	SGD75mn	10-year	4.15%
30-Mar-17	CK Hutchison International (17) Ltd.	"A-/A3/A-"	USD1bn	5-year	CT5+95bps
30-Mar-17	CK Hutchison International (17) Ltd.	"A-/A3/A-"	USD800mn	3-year	CT10+115bps
30-Mar-17	Indonesia Eximbank	"NR/Baa3/BBB-"	USD500mn	7-year	3.9%
30-Mar-17	Hesteel Hong Kong Co.	Not Rated	USD500mn	10NC5	5%
30-Mar-17	Blue Skyview Company Ltd.	Not Rated	USD315mn	Perp NC3.5	7.12%

Source: OCBC, Bloomberg

Credit Headlines:

Australia and New Zealand Banking Group Ltd. (“ANZ”): ANZ has reportedly distributed Information Memorandums yesterday detailing the scope and timetable for receipt of indicative bids for the sale of its Australian Wealth Management business. The business, which comprises life insurance and funds management, contributed around 6% of segment revenues and segment results before tax in FY2016 and is rumored to be valued at around AUD4.5bn. While ANZ management have indicated their intention to explore a sale, management have also stated that the final form of any transaction is still somewhat fluid with a straight sale not the only option – others include creating a stand-alone listed business or working in a partnership to ensure ANZ remains established in the wealth business as part of its broader retail offerings. National Australia Bank previously followed a similar strategy in 2016 with the sale of 80% of its life insurance business to Nippon Life with NAB retaining a 20% stake under a long-term partnership with Nippon Life through a 20 year distribution deal to provide life insurance products through NAB-owned and aligned distribution networks. This move remains consistent with ANZ’s current strategy to improve the efficiency and profitability of its business through ongoing repositioning initiatives and follows recent asset sales which are expected to improve ANZ’s CET1 capital ratio to around 10.2% (assuming all else constant). As we’ve previously mentioned, stronger capital ratios from asset sales and improved returns are important given higher capital requirements being considered by the regulator. That said, we maintain our Neutral issuer profile on ANZ. (Company, OCBC)

Oxley Holdings Ltd (“OHL”): According to media reports, the Chinese government announced that it will establish a new special economic zone (“NSEZ”) in the province of Hebei’s Xiongxian, Anxin and Rongcheng cities. Also according to media reports, property transactions have been halted in these cities. As OHL’s 27.5% effective stake in Gaobeidian project is located in Hebei near the NSEZ and not affected by the transaction halt, OHL believes this is likely to have a ‘positive and favourable impact’ on its Gaobeidian project. Separately, OHL has entered into an agreement with two buyers to grant overriding reversionary leases in respect of ground rent interest for certain private flats at Royal Wharf for an anticipated GBP18.5mn. (Company)

Singapore Telecommunications Ltd (“SingTel”) / StarHub Ltd (“StarHub”): In the latest General Spectrum Auction, Singapore telcos paid SGD1.14bn for mobile airwaves, which included SingTel for 75MHz of spectrum (SGD563.7mn), StarHub (SGD349.6mn) for 60MHz of spectrum, M1 (SGD208mn) for 30MHz of spectrum and TPG (SGD23.8mn) for 10MHz of spectrum. The amount paid appears to be the largest amount paid, with StarHub’s CEO commenting that an additional bidder led to intense competition amongst the bidders. We currently do not cover SingTel nor StarHub. (Straits Times, Company)

Cambridge Industrial Trust (“CREIT”): On 5 April 2017, Cambridge Industrial Trust Management Limited (the REIT Manager of CREIT), announced the appointment of a new Independent Non-Executive Director, Mr. Philip John Pearce. Mr. Pearce most recently held the position of Managing Director, Greater China for the Goodman Group (listed on the Australian Stock Exchange). He was also an Executive Director of the company from January 2013 to July 2016. Mr Michael Patrick Dwyer, a Non-Executive Director of the REIT Manager had resigned from his position to take on a new board appointment with a wholly-owned subsidiary of e-Shang Redwood (“e-Shang”). e-Shang is the new majority shareholder of the REIT Manager holding an 80%-stake since January 2017. (Company, OCBC)

Ascott Residence Trust (“ART”): Ascott Residence Trust Management Limited (the REIT Manager of ART), announced that valid acceptances and excess application for a total of 874.6mn rights units were received. This represents about 1.8x the total number of rights units available under the underwritten and renounceable rights issue of 481.7mn to raise gross proceeds of SGD442.7mn. The rights issue is intended to partly fund Ascott Orchard Singapore and two properties in Germany. Moody’s had on 10 March 2017 revised ART’s Baa3 rating outlook to stable from negative. (Company, OCBC)

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