

Jul 6, 2017

Credit Headlines (Page 2 onwards): Industry Outlook – Singapore Banks, Australia and New Zealand Banking Group Ltd, CMA CGM S.A., Distressed SGD Corporate Bond Update

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates trading 2-6bps across all tenors. Flows in SGD corporates were heavy, with better buying seen in OLAMSP 5.5%-PERPs, HSBC 4.7%-PERPs, and mixed interest seen in LMRTSP 6.6%-PERPs. In the broader dollar space, the spread on JACI IG corporates fell by 2bps to 185bps, while the yield on JACI HY corporates fell by 1bps to 6.88%. 10y UST yields fell by 3bps to 2.32%, as a slide in oil prices caused yields to decline, reversing the earlier gain in yields post the release of FOMC meeting minutes.

New Issues: Hindustan Petroleum Corp Ltd has priced a USD500mn 10-year bond at CT10+167.5bps, tightening from initial guidance of CT10+200bps area. The expected issue ratings are 'NR/Baa3/BBB-'. Shanghai Pudong Development Bank Co Ltd, Hong Kong branch has priced a two-tranche deal, with the USD400mn 3-year bond at 3mL+85bps, tightening from initial guidance of 3mL+110bps area; and the USD350mn 5-year bond at 3mL+95bps, tightening from initial guidance of 3mL+120bps. The expected issue ratings are 'BBB/NR/NR'. ABN AMRO Bank N.V. has priced a USD450mn 5-year bond at 3mL+80bps, tightening from initial guidance of 3mL+80-83bps. The expected issue ratings are 'NR/A1/NR'. 21Vianet Group, Inc Ltd has scheduled investor meetings for potential USD bond issuance from 6 Jul.

Rating Changes: Moody's has upgraded Pakuwon Jati Tbk (PT)'s corporate family rating to 'Ba2' from 'Ba3' while upgrading its subsidiary Pakuwon Prima Pte. Ltd.'s (Pakuwon Prima) backed senior unsecured rating to 'Ba2' from 'Ba3'. The outlook on the ratings is stable. The rating action reflects Pakuwon Jati's continued growth in scale and maintenance of a strong financial and liquidity profile, supported by a well-balanced income stream from its portfolio of development and investment properties.

Table 1: Key Financial Indicators

| | 6-Jul | 1W chg (bps) | 1M chg (bps) | | 6-Jul | 1W chg | 1M chg |
|--------------------|-------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG | 88 | 1 | 1 | Brent Crude Spot (\$/bbl) | 48.00 | 1.22% | -4.23% |
| iTraxx SovX APAC | 22 | 3 | 4 | Gold Spot (\$/oz) | 1,224.41 | -1.69% | -5.41% |
| iTraxx Japan | 41 | 2 | -1 | CRB | 173.65 | 2.14% | -2.48% |
| iTraxx Australia | 84 | 1 | -2 | GSCI | 369.92 | 2.01% | -1.24% |
| CDX NA IG | 61 | -1 | 1 | VIX | 11.07 | 0.09% | 5.93% |
| CDX NA HY | 107 | 0 | -1 | CT10 (bp) | 2.327% | 6.01 | 18.16 |
| iTraxx Eur Main | 55 | 0 | -7 | USD Swap Spread 10Y (bp) | -2 | 1 | 3 |
| iTraxx Eur XO | 247 | 3 | -2 | USD Swap Spread 30Y (bp) | -28 | 2 | 15 |
| iTraxx Eur Snr Fin | 53 | 1 | -18 | TED Spread (bp) | 26 | -3 | 1 |
| iTraxx Sovx WE | 6 | 0 | -3 | US Libor-OIS Spread (bp) | 13 | 0 | 4 |
| iTraxx Sovx CEEMEA | 57 | 3 | 12 | Euro Libor-OIS Spread (bp) | 3 | 0 | 0 |
| | | | | | | | |
| | | | | | 6-Jul | 1W chg | 1M chg |
| | | | | AUD/USD | 0.759 | -1.22% | 1.11% |
| | | | | USD/CHF | 0.965 | -0.98% | -0.34% |
| | | | | EUR/USD | 1.133 | -0.95% | 0.49% |
| | | | | USD/SGD | 1.382 | -0.21% | -0.19% |
| | | | | | | | |
| Korea 5Y CDS | 59 | 6 | 4 | DJIA | 21,478 | 0.79% | 1.62% |
| China 5Y CDS | 71 | 1 | -3 | SPX | 2,433 | 0.54% | 0.13% |
| Malaysia 5Y CDS | 88 | 2 | -8 | MSCI Asiax | 624 | -0.67% | -0.35% |
| Philippines 5Y CDS | 79 | 1 | 0 | HSI | 25,554 | -1.58% | -1.70% |
| Indonesia 5Y CDS | 120 | 3 | -1 | STI | 3,248 | -0.33% | 0.38% |
| Thailand 5Y CDS | 65 | 2 | 7 | KLCI | 1,769 | -0.16% | -1.26% |
| | | | | JCI | 5,836 | 0.30% | 2.24% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|----------|---|----------------|----------|----------|---------------|
| 5-Jul-17 | Hindustan Petroleum Corp Ltd | 'NR/Baa3/BBB-' | USD500mn | 10-year | CT10+167.5bps |
| 5-Jul-17 | Shanghai Pudong Development Bank Co Ltd, Hong Kong branch | 'BBB/NR/NR' | USD400mn | 3-year | 3mL+85bps |
| 5-Jul-17 | Shanghai Pudong Development Bank Co Ltd, Hong Kong branch | 'BBB/NR/NR' | USD350mn | 5-year | 3mL+95bps |
| 5-Jul-17 | ABN AMRO Bank N.V. | 'NR/A1/NR' | USD450mn | 5-year | 3mL+80bps |
| 4-Jul-17 | Qinghai Provincial Investment Group Co Ltd | 'BB-/NR/NR' | USD300mn | 4-year | 6.4% |
| 3-Jul-17 | Olam International Limited | Not Rated | SGD300mn | Perp NC5 | 5.5% |
| 3-Jul-17 | Hengjian International Investment Limited | 'NR/A3/A+ | USD500mn | 3-year | CT3+130bps |
| 3-Jul-17 | Bank of China Ltd, Hong Kong Branch | 'A/A1/A' | USD550mn | 2-year | 3mL+73bps |

Source: OCBC, Bloomberg

Rating Changes (cont'd): Fitch has downgraded CAR Inc's (CAR) Issuer Default Rating (IDR) and senior unsecured rating to 'BB-' from 'BB' with stable outlook. The rating action reflects CAR's aggressive pricing strategy and declining fleet rental revenue from UCAR, CAR's largest shareholder and biggest customer.

Credit Headlines:

Industry Outlook – Singapore Banks: Singapore's parliament recently passed the Monetary Authority of Singapore (Amendment) Bill 2017, which details further The Monetary Authority of Singapore (MAS)'s ability to resolve banks and maintain stability in Singapore's banking sector. Some key features of the bill amongst others include (1) a requirement for banks to prepare and maintain recovery plans and submit them to the MAS for resolution planning, (2) Amendments to MAS' power to write down or convert bank instruments issued post the effective date of the bail-in regime (although we understand this will still exclude senior debt and be related to contractual write-down arrangements); (3) recognition of resolution actions by foreign regulators that impact financial institutions in Singapore subject to MAS' determination of the impact of such actions on Singapore's financial sector and economy; and (4) a compensation avenue for creditors and shareholders who are judged to have been worse off under the resolution as opposed to a liquidation scenario. Of interest is the introduction of a new provision that subordinates MAS' 'developmental objective' against its supervisory responsibilities to maintain financial stability. We've seen recent regulatory actions in Europe balance these responsibilities using the same framework but with different outcomes to ensure sector stability. We expect that, as much as regulators seek to ensure a lower state burden for financial sector stress and eliminate moral hazard, that they will seek practical solutions to address sector stress. (MAS, OCBC)

Australia and New Zealand Banking Group Ltd. ("ANZ"): As previously mentioned (refer [OCBC Asian Credit Daily – 5 April 2017](#)), ANZ is in the process of selling its Australian Wealth Management business with the bidders list narrowed and second round offers expected by September 15. The business, which comprises life insurance and funds management, contributed around 6% of segment revenues and segment results before tax in FY2016 and is expected to raise more than AUD4bn. The structure of the sale remains fluid with management previously stating that a straight sale is not the only option – others include creating a stand-alone listed business or working in a partnership to ensure ANZ continues to distribute life insurance. ANZ continues to pursue its current strategy to improve the efficiency and profitability of its businesses through ongoing repositioning initiatives, asset sales and cost rationalizing to shore up capital ratios. This is in the context of the competitive banking landscape and recent news on bank levies which could constrain internal capital generation going forward in the face of potentially rising capital requirements. Its current CET1 ratio of 10.1% for 1H2017 compares favourably against its domestic peers with the ANZ 3.75% 27c22 Tier 2 seen as better value on a spread basis against the NAB 4.15% 28c23 and WSTP 4.0% 27c22 for similarly rated paper in our view. (Company, OCBC)

CMA CGM S.A. (acquired Neptune Orient Lines, "NOL"): CMA CGM's 2nd largest shareholder, Turkey-based Yildirim Holdings ("Yildirim"), had indicated that it was seeking to divest CMA CGM, in an effort to raise capital to acquire New Jersey-based maritime terminal operator Ports America. Yildirim currently holds a 24% stake in CMA CGM, buying the stake in between 2010 and 2011 at USD600mn. Yildirim had mandated China Citic Bank Corp to find investors in Asia or the Persian Gulf. Investment banks have valued the stake at USD2.5bn – USD3bn based on recent deals in the industry. Should the ultimate purchaser of Yildirim's stake in CMA CGM be a strategic investor, there could be ramifications for CMA CGM. (Bloomberg, OCBC)

Distressed SGD Corporate Bond Update: The Judicial Manager for Swiber Holdings Limited has yet again sought to extend the time it has to file a restructuring proposal to creditors. Originally, the Judicial Manager was supposed to send a statement of proposals and summon a creditor's meeting by 21/07/17 (which already was an extension date). Falcon Energy will be holding its second informal noteholders meeting on 12/07/17, to discuss the potential restructuring of its bond (the bond is due 19/09/17.) It had been reported that Falcon Energy is seeking to extend the maturities of the notes, as well as seek a waiver of financial covenants. Finally, the court hearing for Marco Polo Marine's scheme moratorium has been delayed to 06/07/17. OCBC Credit Research does not cover Swiber Holdings, Falcon Energy or Marco Polo Marine. (Company, Bloomberg)

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W