

January 12, 2018

Credit Headlines (Page 2 onwards): Société Générale SA, CIMB Group Holdings Berhad

Market Commentary: The SGD swap curve bull-flattened yesterday with the swap curve trading 4-6bps lower across most tenors. Flows in SGD corporates were heavy, with better buying seen in EREIT 4.6%-PERPs and OLAMSP 5.5%-PERP, and better selling seen in BAERVX 5.75%-PERPs and CELSP 3.9%-PERPs. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 109bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS fell 4bps to 314bps. 10Y UST yield fell 2bps to 2.54%, led lower after a strong 30Y UST auction.

New Issues: Tencent Holdings Ltd has priced a USD5bn deal across four-tranches, with the USD1bn 5-year tranche priced at CT5+65bps, tightening from its initial guidance of CT5+65-75bps area; the USD 500mn 5-year floating rate note priced at 3mL+60.5bps, in line with guidance; the USD2.5bn 10-year bond priced at CT10+105bps, tightening from its initial guidance of CT10+105-115bps area and the USD1bn 20-year bond priced at CT20+105bps, tightening from its initial guidance of CT30+105-115bps area. The expected issue ratings area 'A+/A2/A+'. Golden Wheel Tiandi Holdings Co Ltd has set final guidance for its USD200mn 3-year bond (guaranteed by certain subsidiaries incorporated outside of PRC) at 7.25%, tightening from its initial guidance of 7.625% area. The expected issue ratings are 'NR/B2/B'. Jiayuan International Group Ltd has set final guidance for its USD250mn 364-day bond (guaranteed by certain subsidiaries incorporated outside of PRC) at 8.25%, tightening from its initial guidance of 8.5% area. Petron Corporation Ltd has set final guidance for its USD500mn PerpNC5 bond at 4.6-4.7%, tightening from its initial guidance of 5% area. Leader Goal International Ltd has set final guidance for its USD500mn Perp NC5 bond (guaranteed by Power Construction Corporation of China) at 4.25-4.30%, tightening from its initial guidance of 4.5% area. The expected issue ratings are 'NR/Baa1/BBB+'. Rosy Delta Investment Ltd has set final guidance for its USD150mn 5-year bond at 4.875-5%, tightening from its initial guidance of 5% area. Yingde Gases Investment Ltd has set final guidance for its

Table 1: Key Financial Indicators

	12-Jan	1W chg (bps)	1M chg (bps)		12-Jan	1W chg	1M chg
iTraxx Asiax IG	60	-5	-12	Brent Crude Spot (\$/bbl)	69.16	2.28%	9.19%
iTraxx Sovx APAC	10	-2	-4	Gold Spot (\$/oz)	1,323.57	0.30%	6.35%
iTraxx Japan	44	-1	-2	CRB	195.16	-0.11%	6.40%
iTraxx Australia	53	-2	-9	GSCI	451.22	0.76%	7.82%
CDX NA IG	47	1	-4	VIX	9.88	7.16%	-0.40%
CDX NA HY	109	0	1	CT10 (bp)	2,546%	6.96	14.48
iTraxx Eur Main	45	1	-3	USD Swap Spread 10Y (bp)	-1	0	-2
iTraxx Eur XO	230	6	-2	USD Swap Spread 30Y (bp)	-21	-1	-2
iTraxx Eur Snr Fin	43	1	-2	TED Spread (bp)	31	0	3
iTraxx Sovx WE	0			US Libor-OIS Spread (bp)	24	-1	7
iTraxx Sovx CEEMEA	33	2	-10	Euro Libor-OIS Spread (bp)	1	-1	0
					12-Jan	1W chg	1M chg
				AUD/USD	0.789	0.33%	4.39%
				USD/CHF	0.976	-0.09%	1.64%
				EUR/USD	1.205	0.20%	2.65%
				USD/SGD	1.329	-0.16%	1.78%
Korea 5Y CDS	42	-8	-16	DJIA	25,575	1.99%	4.37%
China 5Y CDS	46	-2	-9	SPX	2,768	1.60%	3.88%
Malaysia 5Y CDS	52	-5	-11	MSCI Asiax	737	-0.21%	6.40%
Philippines 5Y CDS	53	-4	-10	HSI	31,298	1.57%	8.70%
Indonesia 5Y CDS	78	-5	-15	STI	3,524	1.00%	1.70%
Thailand 5Y CDS	40	-4	-7	KLCI	1,822	0.20%	5.32%
				JCI	6,386	1.49%	5.87%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD1bn	20-year	CT20+105bps
12-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD2.5bn	10-year	CT10+105bps
12-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD500mn	5-year	3mL+60.5bps
12-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD1bn	5-year	CT5+65bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD750mn	2-year	3mL+35bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD1.25bn	2-year	CT2+55bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD750mn	10-year	CT10+10bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD500mn	5-year	3mL+74bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD1.5bn	5-year	CT5+78Bbps
9-Jan-18	Times Property Holdings Ltd	'NR/B2/B+'	USD500mn	NC2	6.25%

Source: OCBC, Bloomberg

New Issues (cont'd): USD500mn 5NC3 bond (guaranteed by Yingde Gases Group Company Ltd) at 6.30-6.40%, tightening from its initial guidance of 6.75% area. The expected issue ratings are 'B/Caa1/B+'. Bank of Communications Financial Leasing Co Ltd has scheduled for investor meetings from 15 Jan for its potential USD bond issuance. Yango Group Co Ltd has hired banks for its potential USD senior bond issuance. Tunas Baru Lampung Tbk PT has scheduled for investor meetings from 12 Jan for its potential USD bond issuance. The expected issue ratings are 'NR/Ba3/BB-'.

Rating Changes:

Moody's has assigned Tunas Baru Lampung Tbk International Pte Ltd's (TBLA) senior backed unsecured bond a rating of 'Ba3'. The outlook is stable. The rating action follows its 'Ba3' corporate family rating coupled with its established position as an integrated palm oil producer, with growing exposure to the Indonesia sugar industry. However, Moody's acknowledge that TBLA's rating is constrained by its small scale, exposure to volatile crude palm oil prices and unstable cash from operations resulting from uncertainties across Indonesia's import quotas for raw sugar. Moody's has assigned China Ping An Insurance Overseas Ltd (PAOH) a rating of 'Baa2'. The outlook is stable. The rating actions reflects PAOH's strong parental support and high integration with Ping An Insurance Company Of China Ltd, its good brand recognition and stable business growth supported by the demand for an overseas asset allocation from Ping an Group and its affiliates. Moody's has lowered Charter Hall Retail REIT's outlook to negative, citing that its elevated financial leverage, as a result of its new property acquisition and development expenditures, is above the tolerance level for its 'Baa1' rating.

Credit Headlines:

Société Générale SA ("SG"): SG announced additional impacts to full year profitability due to recent developments, which will be recognized in 4Q2017. These include a USD307mn charge from a reduction in value of deferred tax assets following the recent reduction of US corporate tax rates effective Jan 2018. In addition, a tax audit in France will result in a EUR200mn charge that is to be recognized as an operating expense. This is in addition to exceptional charges of around EUR400mn from SG's recently announced 2020 Strategic and Financial Plan which will result in rationalization of SG's branch network, a reduction in back office centres, automation of processes and a reduction in SG's workforce. As was mentioned in the our [Singapore Credit Outlook 2018](#), SG's FY2017 performance has been comparatively weak compared to prior year's stable results and future results may not improve soon given its strategic plans. In our view, the SOCGEN 4.3% '26c21s seem decent value against BNP 4.3% '25c20s in the SGD T2 space although we prefer the BPCEGP 4.5% '26c21s. (Company, OCBC)

CIMB Group Holdings Berhad ("CIMB"): CIMB has announced the partial sale of its stakes in two asset management joint venture units for MYR470mn to its existing partner in the businesses, Principal Financial Group. Following the sale, CIMB will retain 40% ownership in both CIMB-Principal Asset Management Group and CIMB-Principal Islamic Asset Management with Principal Financial Group owning the remaining stake. The transaction is expected to complete in 2Q2018 with CIMB recognizing a MYR950mn gain. While the transaction is marginally credit positive with an expected 18bps improvement in CET1 ratios, the overall credit profile remains unchanged in our view (Company, 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

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