

Mar 21 2018

## **Market Commentary**

- The SGD swap curve bear-flattened yesterday, with the swap rates for the shorter tenors traded 3-4bps higher while the longer tenors traded 2-3bps higher.
- Flows in SGD corporates were heavy yesterday, with better selling seen in HSBC 4.7%-PERP and MAPLSP 4.5%-PERP.
- In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 119bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 360bps.
- 10Y UST yields rose 4bps to 2.89% as participants remained sidelined ahead of Wednesday's FOMC decision.

## **Credit Headlines**

### **Australia and New Zealand Banking Group Ltd ("ANZ") | Issuer Profile: Positive (2)**

- ANZ is reportedly considering an initial public offering (IPO) of its New Zealand-based vehicle finance unit UDC Finance ('UDC'). This is following the decline of HNA Group's application to New Zealand's Overseas Investment Office to buy the business from ANZ (refer to [OCBC Asian Credit Daily – 2 January 2018](#) and [OCBC Asian Credit Daily – 15 January 2018](#)).
- While interest for any IPO transaction is expected to be high, ANZ's credit profile is not necessarily reliant on a successful completion. This is because ANZ's fundamentals remain sound. Its FY2017 (ended 30 Sep 2017) CET1 ratio at 10.6% is already above APRA's minimum 10.5% CET1 January 2020 benchmark for 'unquestionably strong' capital ratios thanks to prior asset sales and solid earnings. This ratio is the strongest for Australia's big banks and in line with Westpac's CET1 ratio as at FY2017, although it should be noted that Westpac is more exposed to Australia's housing sector.
- The ANZ Tier 2 3.75% 27c22s are cheap compared to WBC's 4.00% Tier 2s of the same tenor in our view. (OCBC, Company, Bloomberg)

### **Industry Outlook – Singapore Residential Property:**

- Following the largest enbloc acquisition in 10 years by [GuocoLand and related parties](#) of Pacific Mansion, there is no indication that the property fever is subsiding with 15 bids placed for a Government Land Sale site at Holland Road (with max GFA of 59,715 sqm).
- Bidders include Far East Organisation, Lendlease, GuocoLand, City Developments, UOL Group, Chip Eng Seng.
- While we expect property prices to continue going higher in the short term, we continue to reiterate uncertainty if prices will continue increasing in the medium to longer term ([Singapore Credit Outlook 2018, Pg 32](#)). 69% of developers see potential oversupply while more than 20,000 units are expected to be added due to Government Land Sales and collective sales. In addition, the rise in interest rates may curb appetite to take on higher leverage and the government may intervene if property prices increase substantially. (Straits Times, OCBC)

**Table 1: Key Financial Indicators**

	21-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	77	6	6
iTraxx SovX APAC	13	12	6
iTraxx Japan	53	1	1
iTraxx Australia	68	0	0
CDX NA IG	55	10	6
CDX NA HY	107	35	16
iTraxx Eur Main	59		
iTraxx Eur XO	286	13	8
iTraxx Eur Snr Fin	63	-7	-7
iTraxx Sovx WE	18	9	0
AUD/USD	0.769	-2.34%	-1.42%
EUR/USD	1.226	-0.90%	-0.22%
USD/SGD	1.319	-0.73%	0.36%
China 5Y CDS	65	10	6
Malaysia 5Y CDS	72	10	9
Indonesia 5Y CDS	103	15	15
Thailand 5Y CDS	44	5	2

	21-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	67.64	4.24%	3.39%
Gold Spot (\$/oz)	1,311.70	-0.99%	-0.98%
CRB	194.15	-0.06%	-0.01%
GSCI	446.15	1.27%	0.35%
VIX	18.2	11.31%	-9.09%
CT10 (bp)	2.896%	5.33	0.63
USD Swap Spread 10Y (bp)	4	-1	1
USD Swap Spread 30Y (bp)	-15	-1	2
TED Spread (bp)	46	3	15
US Libor-OIS Spread (bp)	52	5	20
Euro Libor-OIS Spread (bp)	2	-1	-1
DJIA	24,727	-1.12%	-0.28%
SPX	2,717	-1.75%	0.58%
MSCI Asiax	744	-0.30%	1.27%
HSI	31,550	-0.16%	0.38%
STI	3,513	-0.74%	-0.08%
KLCI	1,856	-0.04%	-0.10%
JCI	6,244	-2.64%	-6.02%

Source: OCBC, Bloomberg

## New issues

- RH International Singapore Corp Pte Ltd has priced a USD300mn 10-year bond (guaranteed by Ratchaburi Electricity Generating Holding PCL) at CT10+162.5bps, tightening from its initial guidance of CT10+180bps area.
- The Republic of the Philippines has priced its first 3-year yuan-denominated bonds in China at 5.0%, tightening from its initial guidance of 5%-5.6%.
- Nederlandse Waterschapsbank NV has priced a AUD100mn re-tap of its NEDWBK 3.45%'28 bond at 3.297%.
- Inter-American Development Bank has priced its AUD200mn re-tap of its IADB 3.74%'28 bond at ASW+41bps (reoffer yield of 3.150%).
- Envision Energy has scheduled for investor meetings from 20 Mar for its potential USD bond issuance.
- China SCE Property has hired banks for its potential USD bond issuance.
- Stockland Group has scheduled for investor meetings on 26 Mar for its potential min EUR300mn 7-12year bond issuance.

**Table 2: Recent Asian New Issues**

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
20-Mar-18	Inter-American Development Bank	AUD200mn	IADB 3.74%'28	ASW+41bps
20-Mar-18	Nederlandse Waterschapsbank NV	AUD100mn	NEDWBK 3.45%'28	3.297%
20-Mar-18	The Republic of the Philippines	CNH1.46bn	3-year	5.0%
20-Mar-18	RH International Singapore Corp Pte Ltd	USD300mn	10-year	CT10+162.5bps
19-Mar-18	Orient HuiZhi Ltd	USD250mn	ORSECH 3.625%'22	96.501
19-Mar-18	Beijing Capital Polaris Investment Co Ltd	CNH630mn	2-year	5.2%
19-Mar-18	Beijing Capital Polaris Investment Co Ltd	USD500mn	3-year	CT3+187.5bps
19-Mar-18	Shinhan Bank Co Ltd	USD400mn	10-year	CT10+165bps
19-Mar-18	Macquarie Group Ltd	USD500mn	11NC10	CT11+180bps
19-Mar-18	Macquarie Group Ltd	USD550mn	6NC5	3mL+135bps
19-Mar-18	Macquarie Group Ltd	USD700mn	6NC5	CT6+150bps
15-Mar-18	Mapletree Commercial Trust Treasury Co Pte Ltd	SGD120mn	6.5-year	3.28%

Source: OCBC, Bloomberg

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