

Sept 6, 2018

Credit Headlines: Olam International Ltd

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates trading 1-2bps higher across most tenors (with the exception of the 20-year swap rates trading 3bps higher).
- Flows in SGD corporates were heavy yesterday, with better selling seen in OCBCSP 4.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 142bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 490bps.
- 10Y UST yields rose 2bps to 2.92% in the earlier part of the trading session after Bloomberg said Germany was ready to accept a less detailed agreement on future economic and trade ties between Britain and the EU. Yields subsequently fell 1bps to close at 2.90% as renewed weakness in emerging market sentiment boosted safe-haven demand.

Credit Headlines:

Olam International Ltd (“Olam”) | Issuer Profile: Neutral (5)

- Reportedly, Olam among other agri-businesses are looking at purchasing assets of Saf-Cocoa, a major cocoa exporter based in Côte d'Ivoire, a key producing country of cocoa beans (Olam has had a presence there since 1994).
- Saf Cocoa is currently under liquidation under court orders after bank lenders failed to prevent the liquidation of the company.
- While it is too early for us to speculate if a deal would happen and at what terms, reportedly lenders are owed ~150bn CFA francs (~SGD365mn) and excluding cocoa inventory, main assets are worth ~50bn CFA francs (~SGD122mn). Cocoa remains a prioritized platform for Olam. (Bloomberg, OCBC)

Table 1: Key Financial Indicators

	6-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	85	3	3
iTraxx SovX APAC	13	2	2
iTraxx Japan	54	1	0
iTraxx Australia	74	2	0
CDX NA IG	60	0	1
CDX NA HY	107	0	0
iTraxx Eur Main	66	-2	1
iTraxx Eur XO	291	-3	-5
iTraxx Eur Snr Fin	79	-4	0
iTraxx Sovx WE	27	-1	1
AUD/USD	0.720	-0.88%	-2.55%
EUR/USD	1.165	-0.21%	0.80%
USD/SGD	1.375	-0.50%	-0.47%
China 5Y CDS	61	3	-1
Malaysia 5Y CDS	102	10	18
Indonesia 5Y CDS	145	22	30
Thailand 5Y CDS	42	0	-1

	6-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	77.05	-0.93%	4.47%
Gold Spot (\$/oz)	1,199.49	-0.04%	-0.67%
CRB	191.01	-0.36%	-1.50%
GSCI	463.48	0.03%	-0.22%
VIX	13.91	11.28%	23.43%
CT10 (bp)	2.899%	4.35	-4.10
USD Swap Spread 10Y (bp)	6	-1	-1
USD Swap Spread 30Y (bp)	-7	-2	-2
TED Spread (bp)	20	-1	-14
US Libor-OIS Spread (bp)	20	-2	-12
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,975	-0.34%	1.85%
SPX	2,889	-0.31%	1.34%
MSCI Asiax	648	-3.19%	-2.22%
HSI	27,244	-4.13%	-2.07%
STI	3,156	-2.70%	-3.93%
KLCI	1,796	-1.72%	0.88%
JCI	5,684	-6.29%	-6.85%

New issues

- Sinopec Group Overseas Development (2018) Limited has priced a USD2.4bn deal across four tranches (guaranteed by China Petrochemical Corp), with the USD750mn 5-year bond at CT5+110bps, tightening from the initial price guidance of CT5+125bps area; the USD500mn 7-year bond at CT7+135bps, tightening from the initial price guidance of CT7+145bps area; the USD750mn 10-year bond at CT10+145bps, tightening from the initial price guidance of CT10+160bps area and the USD400mn 30-year bond at 4.60%, tightening from the initial price guidance of 4.65%.
- Credit Suisse Group AG has priced a USD1.5bn PerpNC7 AT1 at 7.25%, tightening from its initial price guidance of 7.5%.
- Mizuho Financial Group Inc has priced a USD2.75bn deal across three tranches, with the USD1.1bn 6NC5 Fxd-to-FRN at CT6+115bps, tightening from its initial price guidance of CT6+130bps area; the USD650mn 6NC5 FRN at 3mL+100bps, in line with its initial price guidance and the USD1bn 11NC10 Fxd-to-FRN at CT11+135bps, tightening from its initial price guidance of CT11+150bps area.
- Granda Century Ltd has priced a USD300mn 3-year bond (guaranteed by Suning Appliance Group Co Ltd) at 7.5%, in line with its final price guidance.
- Future Land Development Holdings Ltd has priced a USD300mn 2-year bond at 7.0%, tightening from its initial price guidance of 7.25%.
- HSBC Holdings PLC has priced a USD5.25bn deal across three tranches, with the USD2bn 3NC2 at 3mL+65bps, tightening from its initial price guidance of 3mL+75bps; the USD2.5bn 8NC7 at CT8+145bps, tightening from its initial price guidance of CT8+165bps and the USD750mn 8NC7 FRN at 3mL+138bps, in line with its initial price guidance.
- BPCE SA has priced a USD2bn deal across three tranches, with the USD750mn 5-year bond at CT5+137.5bps, tightening from its initial price guidance of CT5+160bps area; the USD500mn 5-year FRN at 3mL+124bps, in line with its initial price guidance and the USD750mn 10-year bond at CT10+180bps, tightening from its initial price guidance of CT10+195-200bps.
- DBS Group Holdings has priced a SGD1bn PerpNC7 AT1 at 3.98%, tightening from its initial price guidance of 4.375%.
- Poly Real Estate Finance Ltd has scheduled for investor meetings from 6 Sept for its potential USD bond issuance (guaranteed by Hengli (Hong Kong) Real Estate Limited).
- China Southern Power Grid International Finance (BVI 2018) Co Ltd has scheduled for investor meetings from 6 Sept for its potential bond issuance (guaranteed by China Southern Power Grid Co Ltd).

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
5-Sept-18	Sinopec Group Overseas Development (2018) Limited	USD750mn	5-year	CT5+110bps
5-Sept-18	Sinopec Group Overseas Development (2018) Limited	USD500mn	7-year	CT7+135bps
5-Sept-18	Sinopec Group Overseas Development (2018) Limited	USD750mn	10-year	CT10+145bps
5-Sept-18	Sinopec Group Overseas Development (2018) Limited	USD400mn	30-year	4.60%
5-Sept-18	Credit Suisse Group AG	USD1.5bn	PerpNC7	7.25%
5-Sept-18	Mizuho Financial Group Inc	USD1.1bn	6NC5	CT6+115bps
5-Sept-18	Mizuho Financial Group Inc	USD650mn	6NC5	3mL+100bps

New issues (cont'd)

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
5-Sept-18	Mizuho Financial Group Inc	USD1bn	11NC10	CT11+135bps
5-Sept-18	Granda Century Ltd	USD300mn	3-year	7.5%
5-Sept-18	Future Land Development Holdings Ltd	USD300mn	2-year	7.0%
5-Sept-18	HSBC Holdings PLC	USD2bn	3NC2	3mL+65bps
5-Sept-18	HSBC Holdings PLC	USD2.5bn	8NC7	CT8+145bps
5-Sept-18	HSBC Holdings PLC	USD750mn	8NC7	3mL+138bps
5-Sept-18	BPCE SA	USD750mn	5-year	CT5+137.5bps
5-Sept-18	BPCE SA	USD500mn	5-year	3mL+124bps
5-Sept-18	BPCE SA	USD750mn	10-year	CT10+180bps
5-Sept-18	DBS Group Holdings	SGD1bn	PerpNC7	3.98%

Source: OCBC, Bloomberg

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