

November 1, 2016

Credit Headlines (Page 2 onwards): Olam International Ltd.

Market Commentary: The SGD swap curve bull-steepened yesterday with the short-end rates trading mostly 2-4bps lower while the middle-to-longer term rates traded 1-2bps lower. Flows in the SGD corporates were heavy with better buying seen in UOBSP 4%'49s and GENSSP 5.13%'49s while mixed interests were seen in SOCGEN 4.3%'26s, TATAIN 4.95%'23s and ABNANV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates decreased 2bps to 203bps while the yield on JACI HY corporates decreased 8bps to 6.54%. 10y UST yield decreased 2bps to 1.83%.

New Issues: Chalco Hong Kong Investment Co. Ltd. has priced a USD500mn perpetual, non-callable for 5-year bond at 4.25%, tightening from its initial guidance at 4.75%. The expected issue ratings are "NR/NR/BBB". Central China Real Estate has launched a USD 5NC3 bond deal with initial price guidance at 6% with expected issue ratings of "B+/Ba3/NR". The deal is expected to be priced later today. United Photovoltaics Group Ltd. has scheduled investor road shows from 1 November onwards for potential USD bond issue. Bohai Capital Holding Co. has scheduled investor road shows from 1 – 2 November for potential USD bond issue.

Rating Changes: S&P assigned China National Chemical Corp. a "BBB" corporate credit rating with a stable outlook. The assignment reflects the company's strong business diversity, silicon derivatives, and agriculture chemicals and significant vertical integration in its focused products. S&P placed China South City Holdings' "B" corporate credit rating on CreditWatch with negative implications. The CreditWatch status reflects the uncertainties S&P sees over the company's business strategy execution and management stability following the potential sale of shares by one of the company's founders and largest shareholder.

Table 1: Key Financial Indicators

	1-Nov	1W chg (bps)	1M chg (bps)		1-Nov	1W chg	1M chg
iTraxx Asiax IG	118	4	1	Brent Crude Spot (\$/bbl)	48.82	-3.88%	-0.49%
iTraxx SovX APAC	36	2	3	Gold Spot (\$/oz)	1,276.98	0.24%	-2.64%
iTraxx Japan	56	0	1	CRB	186.28	-1.67%	-0.02%
iTraxx Australia	104	2	1	GSCI	361.62	-3.55%	-0.78%
CDX NA IG	79	4	3	VIX	17.06	31.03%	28.37%
CDX NA HY	103	-1	-1	CT10 (bp)	1.834%	7.84	24.00
iTraxx Eur Main	73	1	-2	USD Swap Spread 10Y (bp)	-14	2	0
iTraxx Eur XO	330	9	-6	USD Swap Spread 30Y (bp)	-55	1	-2
iTraxx Eur Snr Fin	97	2	-7	TED Spread (bp)	61	5	4
iTraxx Sovx WE	19	1	-3	US Libor-OIS Spread (bp)	38	-1	-3
iTraxx Sovx CEEMEA	90	-3	0	Euro Libor-OIS Spread (bp)	4	0	-1
					1-Nov	1W chg	1M chg
				AUD/USD	0.761	-0.52%	-0.90%
				USD/CHF	0.989	0.51%	-1.60%
				EUR/USD	1.097	0.73%	-2.16%
				USD/SGD	1.391	-0.10%	-1.87%
Korea 5Y CDS	42	1	1	DJIA	18,142	-0.44%	-0.91%
China 5Y CDS	110	5	4	SPX	2,126	-1.17%	-1.94%
Malaysia 5Y CDS	125	4	6	MSCI Asiax	542	-1.96%	-1.54%
Philippines 5Y CDS	115	4	-1	HSI	22,935	-2.84%	-1.56%
Indonesia 5Y CDS	155	6	6	STI	2,814	-1.50%	-1.94%
Thailand 5Y CDS	95	1	11	KLCI	1,672	-0.32%	1.20%
				JCI	5,423	0.03%	1.08%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
1-Nov-16	Chalco Hong Kong Investment Co. Ltd.	"NR/NR/BBB"	USD500mn	Perp-NC5	4.25%
31-Oct-16	Shangxi Road & Bridge Construction	"BB/NR/NR"	USD250mn	3-year	4.85%
31-Oct-16	Beazley PLC	"NR/NR/BBB+"	USD250mn	10-year	CT10+402.5bps
27-Oct-16	Guangxi Communications Group Corp.	"NR/Baa3/BBB"	USD300mn	3-year	CT3+202.5bps
27-Oct-16	Li & Fung Ltd.	"BBB-/Baa3/NR"	USD650mn	Perp-NC5	5.25%
27-Oct-16	China Development Bank Corp.	"AA-/Aa3/NR"	USD350mn	5-year	CT5+70bps
27-Oct-16	Bank of East Asia Ltd.	"BBB-/NR/NR"	USD500mn	10NC5	CT10+270bps
27-Oct-16	Bright Galaxy International Ltd.	"NR/NR/BBB-"	USD500mn	5-year	CT5+225bps
27-Oct-16	Golden Wheel Tiandi Holdings Co. Ltd.	"NR/B2/B"	USD100mn	3-year	8.25%

Source: OCBC, Bloomberg

Rating Changes (cont'd):

S&P revised its rating outlook on 25 financial institutions in Australia to negative, with one-in-three chance that the rating would be downgraded in the next two years. The rating actions reflects S&P's view that the trend in economic risks facing financial institutions operating in Australia has become negative due to the strong growth in private sector debt and residential property prices in the past four years, notwithstanding some signs of moderation in growth in recent months. Moody's assigned a first time corporate family rating of "Ba3" to United Photovoltaics Group Ltd. with a stable outlook. The rating assignment combines its standalone credit strength and a one-notch uplift based on Moody's expectations that the company will receive moderate support from its largest shareholders – China Merchants Group and China Merchants New Energy Group Ltd. in times of need.

Credit Headlines:

Olam International Ltd. ("OLAM"): OLAM has responded to SGX queries with regards to unusual share trading activity on 31 October 2016. The company stated that it is not aware of any possible explanation for the trading activity and confirms that it is in compliance with the listing rule 703 of the Listing Manual regarding disclosure of material information. OLAM further added that it constantly explores and reviews corporate development opportunities and is in discussions on some of these, though there have been no definitive agreements signed as yet. OLAM's stock price ended at SGD2.15 per share on 31 October 2016, having risen 3.4% since Friday and representing the highest price level in two years. We had on 13 September highlighted that Olam's limited free float and low daily trading volumes means that its on-going buyback (since mid-May 2016) have had an outsized impact to its share price. On the same day, Mr Lim Ah Doo has been named as Independent Non-Executive Director & Chairman of the company. The previous Chairman Mr Kwa Chong Seng had been appointed as new Chairman of the SGX in August 2016. At this stage, we are opting not to speculate on M&A/corporate development activities and maintaining our Neutral issuer profile on the company. (Company, OCBC)

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