

December 5, 2016

Credit Headlines (Page 2 onwards): CK Hutchison Holdings Ltd., China Vanke Co. Ltd.

Market Commentary: The SGD swap curve bear-steepened last Friday as swap rates traded mostly 1-5bps higher across the curve. Flows in the SGD corporates were light with two-way flow seen in GENSSP 5.13% 49s. In the broader dollar space, the spread on JACI IG corporates was relatively unchanged at 199bps while the yield on JACI HY corporates increased 1bps to 6.92%. 10y UST yield decreased 6bps to 2.39% as the non-farm payroll results released last Friday were mixed. The unemployment rate tumbled to a nine-year low while the report also showed 178,000 jobs were created in November (Bloomberg's median estimate: 180,000). That said, results remain supportive of an interest rate hike in December (100% priced-in).

New Issues: Tewoo Group Finance No. 2 Ltd. has scheduled investor meetings from 5 – 6 December for potential USD bond issue with expected issue ratings of "NR/NR/BBB-".

Rating Changes: Moody's withdrew its credit rating on RKI Finance 2013 Ltd (part of Road King Infrastructure Ltd). The rating prior to withdrawal was "B1" with a stable outlook. Additionally, Moody's also withdrew its credit ratings on AusNet Electricity Services Pty. Ltd..

Table 1: Key Financial Indicators

	5-Dec	1W chg (bps)	1M chg (bps)		5-Dec	1W chg	1M chg
iTraxx Asiax IG	126	-2	10	Brent Crude Spot (\$/bbl)	54.08	12.11%	18.65%
iTraxx SovX APAC	41	-3	6	Gold Spot (\$/oz)	1,181.20	-1.07%	-7.84%
iTraxx Japan	56	1	-1	CRB	191.69	3.21%	5.04%
iTraxx Australia	109	-2	4	GSCI	386.39	5.82%	10.68%
CDX NA IG	73	-1	-4	VIX	14.12	14.42%	-37.27%
CDX NA HY	105	0	1	CT10 (bp)	2.351%	3.82	57.44
iTraxx Eur Main	78	-4	4	USD Swap Spread 10Y (bp)	-16	1	-2
iTraxx Eur XO	334	-8	8	USD Swap Spread 30Y (bp)	-56	0	-1
iTraxx Eur Snr Fin	105	-6	8	TED Spread (bp)	48	4	-3
iTraxx Sovx WE	23	0	4	US Libor-OIS Spread (bp)	33	-1	-5
iTraxx Sovx CEEMEA	99	--	8	Euro Libor-OIS Spread (bp)	4	0	0
					5-Dec	1W chg	1M chg
				AUD/USD	0.743	-0.65%	-3.82%
				USD/CHF	1.015	-0.24%	-4.02%
				EUR/USD	1.057	-0.46%	-4.31%
				USD/SGD	1.425	-0.06%	-2.48%
Korea 5Y CDS	48	-2	3	DJIA	19,170	0.10%	7.17%
China 5Y CDS	117	-1	11	SPX	2,192	-0.97%	5.12%
Malaysia 5Y CDS	160	-10	38	MSCI Asiax	522	-0.67%	-2.19%
Philippines 5Y CDS	118	-5	7	HSI	22,565	-0.70%	-0.34%
Indonesia 5Y CDS	174	-2	22	STI	2,919	2.10%	4.68%
Thailand 5Y CDS	89	-3	-2	KLCI	1,629	0.10%	-1.17%
				JCI	5,246	2.42%	-2.18%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
1-Dec-16	Ronshine China Holdings Ltd.	"B-/B3/B+"	USD175mn	3put2	7.5%
30-Nov-16	Guangzhou Industrial Investment Fund	"BBB+/NR/A-"	USD200mn	5-year	CT5+205bps
30-Nov-16	Shinhan Bank.	"BBB+/Baa1/BBB+"	USD500mn	10NC5	CT5+215bps
30-Nov-16	Shougang Corp.	"NR/NR/A-"	USD400mn	3-year	CT3+215bps
29-Nov-16	State Power Investment Corp.	"NR/A2/A"	USD900mn	5-year	CT5+130bps
29-Nov-16	State Power Investment Corp.	"NR/A2/A"	USD300mn	10-year	CT10+157.5bps
28-Nov-16	Loncin Holdings Co.	"NR/A1/NR"	CNH800mn	3-year	4.5%
25-Nov-16	Zhenjiang Cultural Tourism Industry	"NR/NR/NR"	USD230mn	3-year	5.3%

Source: OCBC, Bloomberg

Credit Headlines:

CK Hutchison Holdings Ltd. (“CKHH”): CKHH’s ~72% owned subsidiary Cheung Kong Infrastructure (“CKI”) has put in an unsolicited non-binding cash bid for Duet Group, an Australian Infrastructure company for AUD7.3bn (~HKD42bn). In September, it was reported that CKI was also leading a consortium to bid for 51% in assets of National Grid, a UK-based power company. As at 30 June 2016, CKHH has HKD154.4bn in cash and the two bids could cost CKHH up to HKD98bn. Assuming both assets are purchased, CKHH’s net debt-to-equity may be raised to 51% from 33% as at 30 June 2016. Both asset bids are subject to regulatory approvals in Australia and the UK respectively given target ownership of strategic infrastructure assets. We are reviewing the issuer profile of CKHH. (OCBC, Company)

China Vanke Co Ltd. (“VANKE”): On Saturday, VANKE’s Chairman, Wang Shi when asked during a forum whether China Evergrande’s move to increase its stake in VANKE represents more than a financial investment, replied that he agreed with the questioner’s judgment, without elaborating further. VANKE’s senior management team has been in a battle for control over VANKE for the past year and in recent months, Evergrande (a highly-levered property developer) has emerged as the third largest shareholder. We are holding VANKE’s issuer profile at neutral for the time being but are Underweight the SGD VANKE 3.275% ‘17s (YTM: 2.51%) and see better value in the short-dated OUESP 4.95% ‘17s (YTM: 2.57%), maturing in February 2017. (OCBC, Company)

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