

December 12, 2017

Credit Headlines (Page 2 onwards): Oxley Holdings Ltd, Heeton Holdings Ltd, Australia and New Zealand Banking Group Ltd

Market Commentary: The SGD swap curve traded marginally lower yesterday, with the 7-year to 30-year tenors trading 1bps lower. Flows in SGD corporates were moderate, with better buying seen in GEMAU 5.5%'19s, and better selling seen in BACR 3.75%'30s. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 181bps. Similarly, the yield on JACI HY Corp rose 1bps to 6.94%. 10Y UST yields rose 1bps to 2.39%, as investors await the Fed's meeting on Wednesday and the 10Y UST auction came in soft.

New Issues: Rural Electrification Corporation Ltd has priced a USD400mn 3-year bond at CT3+115bps, tightening from initial guidance of CT3+125bps area. The expected issue ratings are 'NR/Baa3/BBB-'. China Shandong International Economic & Technical Finance 1 Ltd has scheduled investor meetings for potential USD bond issuance (with Shandong Hi-Speed Group Co Ltd being the keepwell and liquidity support deed provider).

Rating Changes: Moody's has downgraded Reward Science and Technology Industry Group Co Ltd's (Reward) corporate family rating and rating on the senior unsecured notes that it guarantees to 'B3' from 'B2'. The outlook remains at negative. The rating action reflects Moody's views that there are insufficiencies in Reward's internal controls and financial reporting standards, which leads to difficulty in maintaining access to funding. The rating action also follows an announcement issued by China Securities Regulatory Commission regarding Reward's regulatory violations, misappropriation of funds, inadequate disclosure, weak financial management and poor accounting quality.

Table 1: Key Financial Indicators

	12-Dec	1W chg (bps)	1M chg (bps)		12-Dec	1W chg	1M chg
iTraxx Asiax IG	72	-1	-9	Brent Crude Spot (\$/bbl)	65.02	3.44%	2.36%
iTraxx SovX APAC	14	0	-2	Gold Spot (\$/oz)	1,244.24	-1.70%	-2.67%
iTraxx Japan	46	0	-3	CRB	185.49	-1.69%	-3.21%
iTraxx Australia	62	0	-6	GSCI	423.40	-0.04%	-1.21%
CDX NA IG	50	-1	-6	VIX	9.34	-20.03%	-17.27%
CDX NA HY	108	0	1	CT10 (bp)	2.381%	3.05	-1.70
iTraxx Eur Main	47	0	-5	USD Swap Spread 10Y (bp)	1	0	3
iTraxx Eur XO	232	3	-13	USD Swap Spread 30Y (bp)	-20	0	5
iTraxx Eur Shr Fin	45	-1	-7	TED Spread (bp)	28	4	9
iTraxx Sovx WE	3	0	0	US Libor-OIS Spread (bp)	15	1	5
iTraxx Sovx CEEMEA	43	-1	-11	Euro Libor-OIS Spread (bp)	1	-1	-2
					12-Dec	1W chg	1M chg
				AUD/USD	0.753	-1.08%	-1.29%
				USD/CHF	0.992	-0.45%	0.44%
				EUR/USD	1.177	-0.51%	0.85%
				USD/SGD	1.352	-0.33%	0.75%
Korea 5Y CDS	57	-1	-15	DJIA	24,386	0.40%	4.11%
China 5Y CDS	55	-1	-7	SPX	2,660	0.78%	3.01%
Malaysia 5Y CDS	63	-1	-7	MSCI Asiax	697	0.66%	-0.83%
Philippines 5Y CDS	63	-1	-7	HSI	28,945	0.35%	-0.61%
Indonesia 5Y CDS	93	-1	-9	STI	3,450	0.34%	0.87%
Thailand 5Y CDS	47	-1	-3	KLCI	1,720	-0.26%	-1.26%
				JCI	6,038	0.62%	0.27%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
11-Dec-17	Rural Electrification Corporation Ltd	'NR/Baa3/BBB-'	USD400mn	3-year	CT3+115bps
7-Dec-17	Wuhan State-Owned Assets Management Limited Company	'NR/NR/A-'	USD300mn	3-year	CT3+195bps
7-Dec-17	Xinxing Industry Investment Company Limited	'NR/NR/BBB'	USD300mn	3-year	CT3+247.5bps
7-Dec-17	Wanda International Funding Pte Ltd	Not Rated	USD100mn	3NC1	8.5%
7-Dec-17	China CITIC Bank Corporation Ltd	'BBB+/Baa2/NR'	USD700mn	3-year	3mL+90bps
7-Dec-17	China CITIC Bank Corporation Ltd	'BBB+/Baa2/NR'	USD300mn	3-year	CT3+107.5bps
7-Dec-17	China CITIC Bank Corporation Ltd	'BBB+/Baa2/NR'	USD550mn	5-year	3mL+100bps
7-Dec-17	China CITIC Bank Corporation Ltd	'BBB+/Baa2/NR'	USD250mn	5-year	CT5+110bps
7-Dec-17	ICICI Bank Ltd	'NR/Baa3/BBB-'	USD500mn	10-year	CT10+150bps
6-Dec-17	Qinghai Province General Aviation Group Co	Not Rated	USD300mn	363-day	6.00%

Source: OCBC, Bloomberg

Credit Headlines:

Oxley Holdings Ltd (“OHL”): OHL has purchased the units at 21 Meyappa Chettiar Road for SGD21.53mn, which OHL intends to redevelop. As the purchase quantum is small compared to the net assets (3Q2017: SGD1.0bn), this does not have a material impact on OHL’s credit profile. (Company, OCBC)

Heeton Holdings Ltd (“HHL”): HHL announced that Development 24 Pte Ltd, which is 10%-owned, has purchased 31 to 51 (ODD) Lorong 24 Geylang Singapore (which is a freehold property) for SGD60mn. This can be redeveloped into a residential development with a maximum GFA of 73,325 sq ft. HHL expects to finance its share by internal funds and external borrowings, which is not expected to have a material impact on its net tangible assets and earnings for 2017. (Company)

Australia and New Zealand Banking Group Ltd (“ANZ”): Further to the recent announcement of the sale of its wealth management business to IOOF Holdings Limited (IOOF) (refer to [OCBC Asian Credit Daily - 17 October 2017](#)), ANZ has announced the sale of its wealth management life insurance business to Zurich Financial Services Australia (Zurich) for AUD2.85bn. Similar to the IOOF transaction, ANZ will enter into a 20 year strategic alliance with Zurich to sell life insurance through its branch networks. This completes the previously contemplated sale of its wealth management business in its entirety for around AUD4bn with ANZ retaining Lenders Mortgage Insurance, ANZ Financial Planning and ANZ Share Investing businesses. According to ANZ, the combined sale to IOOF and Zurich will net total proceeds of AUD3.83bn and result in an estimated accounting loss on sale of AUD640mn (AUD520mn for Zurich sale and AUD120mn for IOOF sale). We estimate the divested businesses contribution to FY2017 cash profit at 3.3% and 2.1% on an adjusted (including internal funding costs & amortisation of intangibles) and unadjusted basis respectively. Management expect limited impact of the transactions in FY2018 (ending 30 September 2018) with completion expected in FY2019. Both transactions are expected to eventually increase ANZ’s CET1 capital by 80bps progressively given the structure of the transaction with a 25bps impact in May 2018 from the upfront insurance payment and a further 40bp impact on sale completion for the Zurich transaction and 15bps impact once the IOOF transaction is finalized. We see these transactions as being accommodated within ANZ’s current neutral issuer profile. (Company, OCBC)

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