

October 13, 2017

**Credit Headlines (Page 2 onwards):** ASL Marine Holdings Ltd, China Vanke Ltd, Oxley Holdings Ltd

**Market Commentary:** The SGD swap curve flattened yesterday, with most tenors trading little changed, and the 15-year and 30-year tenors trading 2bps and 4bps lower respectively. Flows in SGD corporates were heavy, with better buying seen in CAPLSP 3.08%'27s, HSBC 4.7%-PERPs, and better selling seen in CELSP 3.9%-PERPs. In the broader dollar space, the spread on JACI IG Corp traded little changed at 181bps, while the JACI HY Corp fell 1bps to 6.84%. 10Y UST yields fell by 3bps to 2.32%, as a strong 30-year treasury auction helped offset a gain in yields due to stronger-than-expected PPI data.

**New Issues:** Well Hope Development Ltd has priced a USD1bn Perp NC5 (guaranteed by Haier Group Corporation) at 3.875%, tightening from initial guidance of 4.375%.

**Rating Changes:** S&P has affirmed XLIT Ltd's (XLIT) 'A-' issuer credit rating, and its 'A+' financial strength and counterparty credit ratings on its core operating subsidiaries. The outlook has been revised to stable from positive. The rating outlook was revised down as the previous positive outlook expected the integration of XL Catlin to improve operating performance. Although the integration has been successful, the overall operating performance improvement has not materialized to the extent expected. Moody's has affirmed China General Nuclear Power Corporation's (CGN) 'A3' long-term issuer rating, CGNPC International Limited and China Uranium Development Company Limited's 'A3' senior unsecured rating (guaranteed by CGN) and China Clean Energy Development Limited 'Baa1' senior unsecured rating (guaranteed by CGNPC International Limited and supported by a Keepwell deed from CGN). The outlook has been revised to stable from negative. The rating action reflects CGN's progress in the construction of its nuclear units, which lowers the degree of execution to a level consistent with a stable outlook.

**Table 1: Key Financial Indicators**

	13-Oct	1W chg (bps)	1M chg (bps)		13-Oct	1W chg	1M chg
iTraxx Asiax IG	77	0	3	Brent Crude Spot (\$/bbl)	56.42	1.44%	2.28%
iTraxx SovX APAC	16	0	-2	Gold Spot (\$/oz)	1,294.35	1.38%	-2.12%
iTraxx Japan	47	3	5	CRB	183.28	1.09%	0.21%
iTraxx Australia	68	-1	2	GSCI	398.10	-0.15%	1.45%
CDX NA IG	56	1	-1	VIX	9.91	2.91%	-5.62%
CDX NA HY	108	0	1	CT10 (bp)	2.325%	-3.41	13.65
iTraxx Eur Main	56	-1	4	USD Swap Spread 10Y (bp)	-4	0	0
iTraxx Eur XO	245	-2	18	USD Swap Spread 30Y (bp)	-33	0	2
iTraxx Eur Snr Fin	59	-1	10	TED Spread (bp)	28	-1	-1
iTraxx Sovx WE	5	-1	0	US Libor-OIS Spread (bp)	13	-1	-3
iTraxx Sovx CEE/MEA	39	-1	-4	Euro Libor-OIS Spread (bp)	3	0	0
					13-Oct	1W chg	1M chg
				AUD/USD	0.783	0.84%	-1.93%
				USD/CHF	0.975	0.50%	-1.10%
				EUR/USD	1.184	0.95%	-0.36%
				USD/SGD	1.354	0.83%	-0.22%
Korea 5Y CDS	69	-1	2	DJIA	22,841	0.29%	3.08%
China 5Y CDS	57	-2	1	SPX	2,551	-0.04%	2.10%
Malaysia 5Y CDS	66	-1	-1	MSCI Asiax	687	1.58%	2.46%
Philippines 5Y CDS	65	0	5	HSI	28,459	0.28%	2.03%
Indonesia 5Y CDS	99	-1	3	STI	3,303	1.26%	2.25%
Thailand 5Y CDS	49	-1	0	KLCI	1,754	-0.29%	-1.80%
				JCI	5,926	0.41%	1.38%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Oct-17	Well Hope Development Ltd	Not Rated	USD1bn	Perp NC5	3.875%
11-Oct-17	CITIC Envirotech Ltd	Not Rated	SGD240mn	Perp NC3	3.9%
11-Oct-17	United Overseas Bank Ltd	'NR/Baa1/BBB'	USD650mn	Perp NC6	3.875%
11-Oct-17	China Singyes Solar Technologies Holdings Ltd	Not Rated	USD160mn	364-day	6.75%
11-Oct-17	Sumitomo Mitsui Banking Corporation	'NR/A1/NR'	USD750mn	2-year	CT2+57bps
11-Oct-17	Sumitomo Mitsui Banking Corporation	'NR/A1/NR'	USD750mn	2-year	3mL+31bps
11-Oct-17	Sumitomo Mitsui Financial Group Inc	'NR/A1/NR'	USD1.25bn	5-year	CT5+82bps
11-Oct-17	Sumitomo Mitsui Financial Group Inc	'NR/A1/NR'	USD500mn	5-year	3mL+74bps
11-Oct-17	Sumitomo Mitsui Financial Group Inc	'NR/A1/NR'	USD750mn	10-year	CT10+100bps
11-Oct-17	Canara Bank	'BBB-/Baa3/NR'	USD200mn	CBKIN 3.25%'22s	CT5+119bps

Source: OCBC, Bloomberg

**Rating Changes (Cont'd):** Fitch has upgraded Samsung Electronics Co Ltd's (SEC) Issuer Default Ratings (IDRs) and senior unsecured rating to 'AA-' from 'A+'. The outlook is stable. The rating action reflects Fitch's belief that SEC's credit quality is not significantly vulnerable to foreseeable events due to its strong global market position, technology leadership, diversification, economies of scales and vertically integrated structure

## Credit Headlines:

**ASL Marine Holdings Ltd ("ASL"):** In ASL's recently published annual report for the fiscal year ending June 2017, ASL's external auditors have highlighted material uncertainty over ASL's ability to continue as a going concern. The concerns mentioned include loss after tax of SGD73.3mn for FY2017, as well as sizable short-term borrowings of SGD235.7mn versus ASL's cash balance of SGD36.1mn (as of end-June 2017). We have previously highlighted the losses generated at ASL (refer to [OCBC Asian Credit Daily – 30 Aug 2017](#)) given that the bulk of the losses were generated during 4QFY2017 (SGD62.8mn net loss). These losses were driven by non-cash impairments and provisions totalling SGD54.2mn taken during 4QFY2017. With regards to ASL's short-term borrowings, it is worth noting that SGD53.4mn worth was related to the recent SGD99mn 5 year club loan facility provided by the 3 local banks. ASL had to adhere to certain covenants to be tested on a quarterly basis, and as of end-June 2017, ASL was not able to meet one of these covenants. As a result, the whole outstanding club loan facility had to be reflected as current. That said, management had disclosed that ASL was subsequently able to obtain a waiver from the 3 banks for the covenant violation. We will continue to monitor the situation closely. (Company, OCBC)

**China Vanke Ltd ("VNLRE"):** VNLRE is setting up a new investment fund that will invest in logistics property projects in China together with other investment partners. Collectively, the partners would be investing RMB6.0bn (~USD911) into the fund. A trust fund linked to the Jiangsu provincial government would be the major holder with 60%. It will be investing RMB3.6bn (~USD546mn) of the total. VNLRE would hold the second largest stake (representing 25%) by contributing RMB1.5bn (~USD228mn). Per VNLRE, this move is in line with its' expansion into the logistics sector (eg: industrial properties such as warehouses and distribution hubs). As at 30 June 2017, VNLRE's net assets was RMB161.2bn (~USD24.5bn). Given the small scale of the transaction, we see this deal as credit neutral. (Yicai Global, OCBC)

**Oxley Holdings Ltd ("OHL"):** OHL announced that it will be selling 22.7mn treasury shares at SGD0.59 per share, on a best efforts basis, by way of private placement. The shares represent 0.77% of OHL's share capital. If fully placed, the net proceeds amounts to SGD12.95mn. We think this as marginally credit positive as the proceeds is small relative to OHL's SGD1.1bn equity and SGD2.0bn net debt as of 4QFY2017. (Company, OCBC)

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