

January 16, 2017

Credit Headlines (Page 2 onwards): CK Hutchison Holdings Ltd., Nam Cheong Ltd.

Market Commentary: The SGD swap curve traded upwards on Friday, with swap rates past the 3 month tenor rising 1-4bps. In the broader dollar space, the spread on JACI IG Corporates changed little, remaining at 198bps, while the yield on JACI HY Corporates rose 2bps to 6.80%. 10y UST yield rose 3bps last Friday to 2.40% as data on retail sales and producer prices showed U.S. economic growth remains intact, boosting wagers the Fed will raise interest rates by its March meeting.

New Issues: China real estate developer, Times Property Holdings Ltd. is proposing to issue potential USD senior notes. China Huarong International Holdings Ltd. scheduled investor roadshows from 16 – 18 January for a potential USD perp issuance. The expected issue ratings are 'NR/Baa1/A-'. China Development Bank plans to issue dual-tranche USD/EUR bonds this week. Beijing Capital Land Ltd. scheduled investor roadshows from 16 – 18 January for a potential USD/CNH bond. The expected issue ratings are 'NR/NR/BBB'. Pan Brothers Tbk (P.T) scheduled investor roadshows from 16 – 18 January for a potential USD bond issuance. The expected issue ratings are 'NR/B1/B'.

Rating Changes: Moody's assigned a 'B1' corporate family rating to Pan Brothers Tbk (P.T) and 'B1' rating to a proposed issuance of USD senior unsecured notes by Pan Brothers' wholly own subsidiary, PB International B.V. The 'B1' ratings reflect Pan Brothers' demonstrated ability to generate solid earnings growth and maintain stable margins within a competitive and fragmented Indonesian garment manufacturing sector, supported by its longstanding relationships with major global apparel retailers and investments in capacity expansion. In addition, Fitch assigned a foreigner currency issuer default rating (IDR) of 'B' with a positive outlook to Pan Brothers. Fitch assigned 'BBB-' final ratings to BPRL International Singapore Pte. Ltd.'s (BISPL) USD600mn 4.375% guaranteed notes, same as the expected ratings assigned earlier on 3 January 2017.

Table 1: Key Financial Indicators

| | 16-Jan | 1W chg (bps) | 1M chg (bps) | | 16-Jan | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG | 115 | -1 | -10 | Brent Crude Spot (\$/bbl) | 55.59 | 1.18% | 0.69% |
| iTraxx Sovx APAC | 33 | -1 | -4 | Gold Spot (\$/oz) | 1,202.16 | 1.78% | 5.93% |
| iTraxx Japan | 55 | -1 | 5 | CRB | 194.54 | 0.52% | 1.62% |
| iTraxx Australia | 98 | 0 | -6 | GSCI | 399.85 | 0.42% | 1.62% |
| CDX NA IG | 66 | 0 | -3 | VIX | 11.23 | -0.80% | -7.95% |
| CDX NA HY | 106 | 0 | 0 | CT10 (bp) | 2.396% | 3.17 | -19.52 |
| iTraxx Eur Main | 69 | 0 | -3 | USD Swap Spread 10Y (bp) | -12 | 2 | -2 |
| iTraxx Eur XO | 288 | -2 | -3 | USD Swap Spread 30Y (bp) | -47 | 3 | -3 |
| iTraxx Eur Snr Fin | 86 | -1 | -7 | TED Spread (bp) | 50 | 0 | 8 |
| iTraxx Sovx WE | 20 | 0 | 0 | US Libor-OIS Spread (bp) | 35 | 0 | 0 |
| iTraxx Sovx CEEMEA | 81 | 3 | -4 | Euro Libor-OIS Spread (bp) | 3 | 0 | -1 |
| | | | | | | | |
| | | | | | 16-Jan | 1W chg | 1M chg |
| | | | | AUD/USD | 0.748 | 1.77% | 2.46% |
| | | | | USD/CHF | 1.011 | 0.48% | 1.54% |
| | | | | EUR/USD | 1.062 | 0.45% | 1.64% |
| | | | | USD/SGD | 1.430 | 0.41% | 1.05% |
| | | | | | | | |
| Korea 5Y CDS | 47 | -1 | 3 | DJIA | 19,886 | -0.39% | 0.21% |
| China 5Y CDS | 113 | -2 | -7 | SPX | 2,275 | -0.10% | 0.73% |
| Malaysia 5Y CDS | 130 | -3 | -14 | MSCI Asiax | 537 | 2.05% | 3.66% |
| Philippines 5Y CDS | 100 | -3 | -9 | HSI | 22,895 | 1.49% | 3.97% |
| Indonesia 5Y CDS | 151 | -3 | -13 | STI | 3,013 | 1.06% | 2.57% |
| Thailand 5Y CDS | 74 | 0 | -8 | KLCI | 1,669 | 0.05% | 1.89% |
| | | | | JCI | 5,273 | -1.38% | 0.79% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|-----------|--|------------------|----------|----------|-------------|
| 12-Jan-17 | Republic of Korea | "AA/Aa2/AA-" | USD1bn | 10-year | CT10+55bps |
| 12-Jan-17 | New Rose Investments Ltd. | "NR/NR/NR" | USD200mn | 3-year | 4.50% |
| 11-Jan-17 | Standard Chartered Plc | "BB-/Ba1/BB+" | USD1bn | Perp NC6 | 7.75% |
| 11-Jan-17 | Adani Ports & Special Economic Zone Ltd. | "BBB-/Baa3/BBB-" | USD500mn | 5-year | CT5+215bps |
| 11-Jan-17 | Taikang Insurance group Inc. | "NR/NR/BBB+" | USD800mn | 5-year | CT5+168bps |
| 11-Jan-17 | ORIX Corporation | "A-/NR/A-" | USD500mn | 5-year | CT5+135bps |
| 11-Jan-17 | ORIX Corporation | "A-/NR/A-" | USD250mn | 10-year | CT10+160bps |
| 10-Jan-17 | Nissan Motor Acceptance Corp | "NR/NR/NR" | USD750mn | 3-year | CT3+80bps |
| 10-Jan-17 | Nissan Motor Acceptance Corp | "NR/NR/NR" | USD250mn | 3-year | 3mL+58bps |

Source: OCBC, Bloomberg

Credit Headlines:

CK Hutchison Holdings Ltd. (“CKHH”): As a recap, Cheung Kong Infrastructure Holdings Ltd (“CKI”), the 72% owned infrastructure arm has entered into a non-binding bid for Duet Group, an Australian infrastructure company for AUD7.3bn (~HKD41bn) in December 2016. This morning, it was announced in Bloomberg that CKI has agreed to buy Duet for AUD3.03 a share, or AUD7.4bn, after Duet recommended an increase of 3c from the original offer price of AUD3 a share. While Duet expects the transaction to take place in mid-May, this is subject to regulatory approvals. The market appears to be fairly confident of the transaction as the share price traded up to AUD2.93 this morning, increasing from last Friday’s close of AUD2.78. If the transaction were to be funded by debt, we expect CKHH’s net gearing to rise to 0.41x (1H2016: 0.33x), which is still low in our view, and within our expectations for its Neutral issuer profile. (Bloomberg, OCBC)

Nam Cheong Ltd. (“NCL”): NCL announced on Friday that current CFO David Ting Kah Soon has resigned to take up a position at a listed company in another sector. He had overall responsibility for financial, accounting and treasury matters, having held the CFO position since April 2011. Current Executive Vice Chairman Mr Tiong Chiong Hiiung has been appointed as Finance Director with effect from 13 January 2017. NCL’s credit profile continues to be weighed down by order cancellations and increases in contractual receivables. This has resulted in operating cash outflows and rising net gearing as debt has been used to cover the cash gap. Liquidity also remains challenged with the NCLSP’17s maturing in August 2017. We continue to monitor management’s strategy for meeting this maturity and other short term commitments, especially with the departure of the CFO. We continue to hold NCL’s issuer profile at Negative. (Company, OCBC)

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