

May 19, 2017

**Credit Headlines (Page 2 onwards):** Industry Outlook – Singapore Residential Property, CITIC Envirotech Ltd, Olam International Ltd

**Market Commentary:** The SGD swap curve bull flattened yesterday, trading 1-5bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in LBBW 3.75%'27s, HRAM 3.2%'21s, better selling in GEMAU 5.5%'19s, GENSSP 5.13%'49s, mixed interest in BNP 3.65%'24s, TEELSP 6.5%'17. In the broader dollar space, the spread on JACI IG corporates rose 4bps to 200bps, while the yield on JACI HY corporates changed little at 6.76%. 10y UST yields rose 1bps to 2.23% yesterday, reversing further declines from the risk-off tone sparked by US President Trump's alleged undisclosed contacts with Russian officials during his campaign. UST yields fell due to Philadelphia Fed Index print beat estimates.

**New Issues:** Amber Treasure Ventures Ltd. priced a USD500mn 3NC1.5 bond (guaranteed by Nan Hai Corporation Ltd.) at 3%, tightening from initial guidance of CT1.5+180bps. The expected issue ratings are 'NR/Baa2/NR'.

**Rating Changes:** S&P upgraded China Evergrande Group's (Evergrande) corporate credit rating to 'B' from 'B-'. In addition, S&P upgraded the issue rating on Evergrande's senior unsecured notes to 'B-' from 'CCC+'. The outlook is stable. The rating action reflects the company's improved liquidity as a result of its strong sales performance, resulting in steady cash collection, as well as its diversified funding sources. S&P upgraded China-based department store operator Intime Retail (Group) Co. Ltd.'s (Intime) corporate credit rating to 'BBB-' from 'BB-'. The outlook is stable. The rating action reflects S&P's expectation for Intime to benefit from extraordinary group support from its new controlling shareholder, Alibaba Group Holding Ltd.

**Table 1: Key Financial Indicators**

	19-May	1W chg (bps)	1M chg (bps)		19-May	1W chg	1M chg
iTraxx Asiax IG	93	4	-8	Brent Crude Spot (\$/bbl)	52.85	3.95%	-0.15%
iTraxx SovX APAC	21	1	-4	Gold Spot (\$/oz)	1,250.20	1.77%	-2.34%
iTraxx Japan	44	1	-4	CRB	182.51	1.14%	-0.77%
iTraxx Australia	85	5	-5	GSCI	384.11	1.22%	-1.21%
CDX NA IG	64	2	-5	VIX	14.66	38.30%	-1.81%
CDX NA HY	107	0	1	CT10 (bp)	2.231%	-9.45	1.69
iTraxx Eur Main	65	2	-12	USD Swap Spread 10Y (bp)	-7	0	-2
iTraxx Eur XO	260	2	-39	USD Swap Spread 30Y (bp)	-47	-1	-4
iTraxx Eur Snr Fin	71	2	-21	TED Spread (bp)	27	-3	-8
iTraxx Sovx WE	9	1	-3	US Libor-OIS Spread (bp)	13	-2	-8
iTraxx Sovx CEEMEA	54	8	4	Euro Libor-OIS Spread (bp)	3	0	0
					<b>19-May</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.742	0.41%	-1.07%
				USD/CHF	0.980	2.11%	1.86%
				EUR/USD	1.110	1.56%	3.65%
				USD/SGD	1.393	0.78%	0.39%
Korea 5Y CDS	59	4	0	DJIA	20,663	-1.23%	1.27%
China 5Y CDS	81	3	-7	SPX	2,366	-1.20%	1.18%
Malaysia 5Y CDS	105	2	-10	MSCI Asiax	607	-0.10%	5.33%
Philippines 5Y CDS	82	4	-3	HSI	25,130	-0.11%	5.47%
Indonesia 5Y CDS	133	5	-4	STI	3,220	-1.08%	3.00%
Thailand 5Y CDS	57	2	0	KLCI	1,770	-0.31%	1.81%
				JCI	5,640	-0.63%	0.59%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
18-May-17	Amber Treasure Ventures Ltd.	"NR/Baa2/NR"	USD500mn	3NC1.5	CT1.5+180bps
17-May-17	BOC Aviation Ltd.	"BBB+/NR/A"	USD500mn	5-year	CT5+130bps
17-May-17	ICBC Dubai (DIFC) Branch	"NR/A1/NR"	EUR500mn	3-year	3mE+60bps
16-May-17	National Australia Bank Ltd.	"AA-/Aa2/NR"	USD1bn	3-year	CT3+70bps
16-May-17	National Australia Bank Ltd.	"AA-/Aa2/NR"	USD1bn	3year	3mL+51bps
16-May-17	National Australia Bank Ltd.	"AA-/Aa2/NR"	USD1bn	5-year	CT5+78bps
16-May-17	National Australia Bank Ltd.	"AA-/Aa2/NR"	USD500mn	5-year	3mL+72bps
16-May-17	Korea Water Resources Corporation	"AA/Aa2/NR"	USD350mn	5-year	CT5+102.5bps
16-May-17	Sun Hung Kai Properties (Capital Market) Ltd.	"NR/A1/NR"	USD500mn	Perp NC3	4.45%

Source: OCBC, Bloomberg

## Credit Headlines:

**Industry Outlook – Singapore Residential Property:** Yesterday, URA announced that the residential site at Stirling Road (near Queenstown MRT) has been sold for SGD1.0bn (SGD1,050 psf). The winning bid came from a JV of Hong Kong's Logan Property and Chinese developer Nanshan Group. The second highest bidder is MCL Land, which bid SGD926mn (SGD970 psf). While the site is hotly contested due to the need by developers to replenish their land bank, the high price, which puts breakeven price at SGD1600-SGD1700 psf (according to Dr Lee Nai Jia, Edmun Tie and Co), suggests that developers may be expecting home prices to rise. (Straits Times, URA, OCBC)

**CITIC Envirotech Ltd (“CEL”):** CEL has secured a build-transfer project in Ningbo City, Zhejiang Province with an investment value of RMB3bn. The project involves the investment, design, construction, procurement and commissioning to restore the rivers and its surrounding environment in Feng Hua district. A joint venture company will be set up to undertake the project. CEL, CITIC Oasis and the local government will have a 60:35:5 stake in the joint venture company. CITIC Oasis is itself a 50:50 joint venture company between the controlling shareholder of CEL (namely, CITIC Environment Investment Group Co., Limited) and Wuxi Oasis (a state-owned enterprise). CEL's proportionate total investment in the JV will be about SGD366mn and is expected to be funded from the proceeds of CEL's perpetual securities. As at 31 March 2017, CEL had SGD399.5mn in cash balances. We expect to see CEL's net gearing trend upwards though we are keeping CEL's issuer profile at Neutral for now. We see financial flexibility of CEL to have expanded, with stronger alignment of CEL with the state. (Company, OCBC)

**Olam International Ltd (“OLAM”):** OLAM has announced that it will be issuing JPY6bn in bonds due in 2022. The use of proceeds for the bond has been kept flexible for working capital and general corporate purposes (including for the funding of capex and potential acquisition opportunities). This marks the 4<sup>th</sup> issuance in JPY since the strategic partnership with Mitsubishi Corp was announced (Mitsubishi Corp now holds a 20.3%-stake in the company). We view the stronger accessibility to Japanese capital markets and funding diversification as a credit positive. (Company, OCBC)

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