

November 21, 2017

**Credit Headlines:** CWT International Ltd, Julius Baer Group Ltd, Keppel Corp Ltd, OUE Lippo Healthcare Ltd, OUE Ltd, Ezion Holdings Ltd

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 3-5bps lower across all tenors. This followed the bull-flattening of the UST curve on Friday. Flows in SGD corporates were heavy, with better buying seen in BACR 3.75%'30s, better selling seen in MFCCN 3.85%'26s and mixed interest seen in CAPLSP 3.08%'27s and EREIT 4.6%-PERPs. In the broader dollar space, the spread on JACI IG Corp traded little changed at 179bps, while the yield on JACI HY Corp fell 1bps to 6.93%. 10Y UST yields rose 2bps to 2.37% after a sell-off was seen in the morning session as risk appetite recovered.

**New Issues:** VLL International Inc has priced a USD350mn 7NC4 bond (guaranteed by Vista Land & Lifescapes, Inc and subsidiary guarantors) at 5.75%, tightening from initial guidance of 6.125%. Tianqi Finco Co Ltd has priced a USD300mn 5-year bond at CT5+180bps, tightening from initial guidance of CT5+120bps area. The expected issue ratings are 'NR/Baa3/NR'. PT ABM Investama has priced a USD50mn re-tap of its ABMMIJ 7.125%'22s at 103.25, higher than initial guidance of 102.5 area. The issue ratings are 'NR/Ba3/BB-'. Macquarie Group Ltd has priced three-tranche deal, with the USD1.1bn 6NC5 bond priced at CT5+110bps, tightening from initial guidance of CT5+130bps; the USD650mn 6NC5 floating rate bond priced at 3mL+102bps, with the initial guidance at Libor equivalent; and the USD750mn 11NC10 bond priced at CT10+140bps, tightening from initial guidance of CT10+160bps area. The expected issue ratings are 'BBB/A3/A-'. Adani Abbot Point Terminal Pty Ltd has scheduled investor meetings for potential USD bond issuance from 20 Nov. The expected issue ratings are 'BBB-/NR/BBB-'. BlueFocus Communication Group Co Ltd has scheduled investor meetings for potential USD bond issuance from 20 Nov. The expected issue ratings are 'NR/B1/B+'. Liaoning Fangda Group Industrial Co Ltd has scheduled investor meetings for potential USD bond issuance from 21 Nov. Banco Vontorantim SA has scheduled investor meetings for potential USD Perp issuance from 23 Nov.

**Table 1: Key Financial Indicators**

	21-Nov	1W chg (bps)	1M chg (bps)		21-Nov	1W chg	1M chg
iTraxx Asiax IG	78	-2	3	Brent Crude Spot (\$/bbl)	62.32	0.18%	7.91%
iTraxx SovX APAC	16	0	0	Gold Spot (\$/oz)	1,280.04	-0.02%	-0.17%
iTraxx Japan	48	0	-1	CRB	189.21	-1.17%	2.77%
iTraxx Australia	68	-1	2	GSCI	422.82	0.23%	5.08%
CDX NA IG	55	-1	3	VIX	10.65	-7.39%	6.82%
CDX NA HY	108	0	-1	CT10 (bp)	2.358%	-1.40	-2.68
iTraxx Eur Main	52	0	-3	USD Swap Spread 10Y (bp)	0	1	3
iTraxx Eur XO	246	1	3	USD Swap Spread 30Y (bp)	-21	4	9
iTraxx Eur Shr Fin	51	-1	-8	TED Spread (bp)	17	-1	-9
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	10	-1	-2
iTraxx Sovx CEEMEA	49	-5	9	Euro Libor-OIS Spread (bp)	3	0	0
					21-Nov	1W chg	1M chg
				AUD/USD	0.754	-1.22%	-3.45%
				USD/CHF	0.993	-0.36%	-0.80%
				EUR/USD	1.174	-0.51%	-0.09%
				USD/SGD	1.357	0.18%	0.38%
Korea 5Y CDS	66	-5	-3	DJIA	23,430	-0.04%	0.44%
China 5Y CDS	60	-2	7	SPX	2,582	-0.10%	0.27%
Malaysia 5Y CDS	68	-2	5	MSCI Asiax	706	0.99%	2.63%
Philippines 5Y CDS	67	-2	5	HSI	29,543	1.34%	3.71%
Indonesia 5Y CDS	99	-3	4	STI	3,422	0.68%	2.43%
Thailand 5Y CDS	49	-1	2	KLCI	1,718	-0.89%	-1.29%
				JCI	6,032	0.72%	1.72%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Nov-17	VLL International Inc	Not Rated	USD350mn	7NC4	5.75%
20-Nov-17	Tianqi Finco Co Ltd	'NR/Baa3/NR'	USD300mn	5-year	CT5+180bps
20-Nov-17	PT ABM Investama (re-tap)	'NR/Ba3/BB-'	USD50mn	ABMMIJ 7.125%'22s	103.25
20-Nov-17	Macquarie Group Ltd	'BBB/A3/A-'	USD1.1bn	6NC5	CT5+110bps
20-Nov-17	Macquarie Group Ltd	'BBB/A3/A-'	USD650mn	6NC5	3mL+102bps
20-Nov-17	Macquarie Group Ltd	'BBB/A3/A-'	USD750mn	11NC10	CT10+140bps
16-Nov-17	Fragrance Group Ltd	Not Rated	SGD100mn	4-year	4.75%
16-Nov-17	Barclays Plc	'NR/Baa3/A-'	SGD200mn	12NC7	3.75%
16-Nov-17	JIC Zhixin Ltd	'A/A2/A+'	USD500mn	5-year	CT5+97.5bps

Source: OCBC, Bloomberg

**Rating Changes:** S&P has affirmed SIX Group AG's (SIX) 'AA-' long-term issuer credit ratings, while revising its outlook to negative from stable. The rating action reflects S&P's view that the group's revenues and profitability may be hampered by changes in market dynamics and payment services, as seen by the decrease in earnings for 1H2017. Moody's has upgraded Doosan Bobcat Inc's (DBI) corporate family rating to 'Ba3' from 'B1'. At the same time, Moody's has upgraded the rating on the senior secured loan that DBI guarantees to 'Ba3' from 'B1'. The outlook on the ratings are stable. The rating action reflects Moody's expectation that DBI's financial leverage will continue to improve through debt reductions and healthy earnings, as well as the improving financial profile of its parent, Doosan Infracore Co Ltd (DI). However, DBI's ratings are constrained by the highly cyclical nature of the compact farm and construction equipment industry, moderate market position in Europe and weaker credit profile of DI. Fitch has assigned BlueFocus Communication Group Co Ltd (BlueFocus) a Long-Term Issuer Default Rating (IDR) of 'B+', while assigning an expected 'B+' rating on its proposed senior unsecured notes. The outlook is stable. The rating action reflects BlueFocus's strong position in China, its position to benefit from the growth in China's advertising market, but is constrained by its weaker profitability and free cash flow generation, as compared with global majors. Fitch has assigned Huarong Real Estate Co Ltd (Huarong Real Estate) an IDR of 'A'. The outlook is stable. At the same time, Fitch has assigned an expected rating of 'A' to the proposed senior unsecured notes that Huarong Real Estate will guarantee. The ratings of Huarong Real Estate are equalized with that of its parent China Huarong Asset Management Ltd Co Ltd (China Huarong), as Fitch views that the probability of support from China Huarong is extremely high in the case of default.

## Credit Headlines:

**CWT International Ltd ("CWT International"):** HNA Holding Group Co Ltd ("HNA HK") is in the process of being renamed to CWT International, following its acquisition of Singapore-incorporated CWT Ltd. The proposed name change of HNA HK is in line with CWT Ltd becoming the main operating business of HNA HK. CWT Ltd has appointed Xu Haohao as Chairman and Executive Director of its board. Mr Xu, is currently the Executive President of HNA HK and earlier in 2009 worked within the Human Resources Department of HNA Group Co. Ltd. Additionally Mr. Zhao Yongzhi (currently Vice President of HNA HK) and Mr. Wu Wing Yang, currently an advisor to HNA HK has been appointed as Executive Directors of HNA HK. Additionally, both Mr. Shen Yi (currently CFO of HNA Innovation Finance Group Co. Limited) and Mr. Zhang Can (currently Deputy CFO of HNA Innovation Finance Group Co., Limited) have been appointed as Non-executive Directors. Mr. Loi Kai Meng has resigned from the position as Non-executive Chairman while Mr. Liao Chung Lik has resigned from the position as Non-executive Director. Both Mr. Loi and Mr. Liao has ceased to become substantial shareholders of CWT Ltd following the sale of their stake. Mr. Loi Pok Yen, the Group CEO of CWT Ltd remains as an Executive Director and per the arrangements entered into with the acquirer Mr. Loi would be staying on for three years as Group CEO. The new slate of directors from HNA HK (and the wider HNA Group) is within expectations given the change in ownership of CWT Ltd. (Company, OCBC)

**Julius Baer Group Ltd ("JBG"):** JBG reported its interim management statement for the 10 months ended 31 October 2017 (10M2017) with prior period positive trends intact as previous investments in growth continue to pay off. Assets under management (AuM) grew by CHF57bn or 17% YTD to a record CHF393bn from net inflows as well as market performance and a stronger Euro to the CHF. According to management, the net new money growth remains above its target 4-6% range and is due to the previous investments in relationship managers hired in 2016, mostly in Asia. The rise in AuM has seen ongoing, albeit slight, improvement in cost to income ratios with the cost to income ratio for the first ten months of 2017 below 69% (compared to 69.1% in 1H2017). JBG's medium term target for cost to income is 64-68%. That said, the gross margin for 10M2017 fell slightly to just below 90bps from 92bps in 1H2017 due to lower FX trading in the second half of 2017 so far. Capital ratios continue to improve due to solid earnings as well as the issuance of USD300mn in AT1 capital in September with JBG's BIS CET1/CAR capital ratios at 16.4%/21.8%, remaining well above JBG's management floors of 11%/15% and minimum CET1/CAR regulatory requirements of 8%/12.2%. In all, trends in JBG's reported ratios remain positive in our view and as such, we maintain our Neutral Issuer Profile on JBG. (Company, OCBC)

## Credit Headlines (Cont'd):

**Keppel Corp Ltd (“KEP”):** KEP has been served with writ of summons in the Singapore High Court in relation to its divestment of its 80% effective stake in a residential cum marina development on Modao Island, Zhongshan City, China (for details on the divestment, refer to [OCBC Asian Credit Daily – 26 Oct 2017](#)). The suit looks to restrain KEP from completing the divestment and is filed by Sunsea Yacht Club (Hong Kong) Co Ltd, which holds the remaining 20% stake. KEP will provide further updates when necessary. While the divestment consideration is sizeable at RMB2.9bn (~SGD597.4mn), and if used for deleveraging would cause pro-forma net gearing to fall to 45% (3Q2017: 50%), this does not change our assessment of KEP’s Neutral Issuer Profile. (Company, OCBC)

**OUE Lippo Healthcare Ltd (“OLH”) / OUE Ltd (“OUE”):** OHL is a 86.2%-owned subsidiary of OUE. In relation to the articles published by The Edge Malaysia regarding the sale of KL Land, OLH clarified no decision has been made to sell the KL Land (or shelve any development plans), though such evaluation is exploratory and preliminary. In relation to the article which reported that OHL may get as much as RM200mn (SGD65.3mn), OHL further clarified that there is no clear basis for any expected valuation. (Company)

**Ezion Holdings Ltd (“EZI”):** EZI announced that the noteholders have elected to pass Resolution #1 of the consent solicitation to restructure the bond (for our analysis on the consent solicitation, refer to [Ezion Holdings Ltd Credit Update – 24 Oct 2017](#)). The elections are made in the following principal amounts: Option A (SGD92mn), Option B (SGD333mn), Option C (SGD30.5mn) and Option D (SGD119.5mn). (Company, OCBC)

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