

Jun 23, 2017

Credit Headlines (Page 2 onwards): Industry Outlook – Australian Banks, CWT Ltd. China Vanke Ltd, National Australia Bank Ltd.

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 2-5bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, STHSP 3.95%-PERPs, better selling seen in SCISP 4.75%-PERPs, mixed interest seen in LMRTSP 6.6% PERPs, GRCHAR 6%’17s. In the broader dollar space, the spread on JACI IG corporates changed little at 195bps, while the yield on JACI HY corporates rose sharply by 7bps to 6.83%, potentially due to news out of China regarding the investigation of certain firms that have been active in overseas acquisitions such as Fosun. 10y UST yields fell by 2bps to 2.15%, after 30-year TIPS auction, stoking long-end demand and flattening the UST curve into the close.

New Issues: Adani Ports & Special Economic Zone Ltd priced a USD500mn 10-year bond at CT10+195bps, tightening from the initial guidance of CT10+210bps. The expected issue ratings are ‘BBB-/Baa3/BBB-’. Franshion Brilliant Limited has priced a USD300mn Perp NC5.5 at 4.0% (guaranteed by China Jinmao Holdings Group Ltd), tightening from initial guidance of 4.3% area. The expected issue ratings are ‘NR/Baa3/NR’. Shimao Property Holdings Ltd has priced a USD450mn 5NC3 bond at 4.75%, tightening from initial guidance of 5% area. The expected issue ratings are ‘BB/NR/BBB-’. NTT Finance Corporation has priced a USD500mn 3-year bond at 3mL+53bps, tightening from the initial guidance of 3mL+75bps. Kaisa Group Holdings Ltd is planning to issue up to USD3.45bn of bonds with maturities ranging from 2020 to 2024. Rural Electrification Corporation Ltd has scheduled investor meetings for potential USD Green Bond issuance from 26 Jun to 28 Jun. Samvardhana Motherson Automotive Systems Group B.V. has scheduled investor meetings for a potential EUR300mn 7-year bond issuance from 26 Jun. The expected issue ratings are ‘BB+/NR/BBB-’.

Table 1: Key Financial Indicators

	23-Jun	1W chg (bps)	1M chg (bps)		23-Jun	1W chg	1M chg
iTraxx Asiax IG	88	3	-2	Brent Crude Spot (\$/bbl)	45.32	-4.33%	-16.31%
iTraxx SovX APAC	19	2	-1	Gold Spot (\$/oz)	1,251.16	-0.21%	0.00%
iTraxx Japan	40	0	-2	CRB	166.50	-3.64%	-10.03%
iTraxx Australia	86	3	4	GSCI	352.52	-3.20%	-10.31%
CDX NA IG	61	0	-1	VIX	10.48	-3.85%	-2.24%
CDX NA HY	107	0	-1	CT10 (bp)	2.153%	0.15	-12.70
iTraxx Eur Main	54	-3	-8	USD Swap Spread 10Y (bp)	-5	-2	1
iTraxx Eur XO	234	-5	-18	USD Swap Spread 30Y (bp)	-35	3	11
iTraxx Eur Snr Fin	55	-7	-12	TED Spread (bp)	33	6	4
iTraxx Sovx WE	7	0	-1	US Libor-OIS Spread (bp)	13	1	1
iTraxx Sovx CEEMEA	54	3	8	Euro Libor-OIS Spread (bp)	3	0	0
					23-Jun	1W chg	1M chg
				AUD/USD	0.755	-0.98%	0.91%
				USD/CHF	0.971	0.23%	0.50%
				EUR/USD	1.116	-0.36%	-0.22%
				USD/SGD	1.390	-0.49%	0.06%
Korea 5Y CDS	52	1	-5	DJIA	21,397	0.18%	2.19%
China 5Y CDS	71	4	-7	SPX	2,435	0.08%	1.50%
Malaysia 5Y CDS	86	2	-14	MSCI Asiax	627	1.07%	2.19%
Philippines 5Y CDS	78	5	0	HSI	25,757	0.51%	1.39%
Indonesia 5Y CDS	118	4	-6	STI	3,210	-0.68%	-0.41%
Thailand 5Y CDS	63	4	6	KLCI	1,777	-0.81%	0.54%
				JCI	5,830	0.92%	1.73%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
22-Jun-17	Adani Ports & Special Economic Zone Ltd	‘BBB-/Baa3/BBB-’	USD500mn	10-year	CT10+195bps
22-Jun-17	Franshion Brilliant Limited	‘NR/Baa3/NR’	USD300mn	Perp NC5.5	4.0%
22-Jun-17	Shimao Property Holdings Ltd	‘BB/NR/BBB-’	USD450mn	5NC3	4.75%
22-Jun-17	NTT Finance Corporation	Not Rated	USD500mn	3-year	3mL+53bps
21-Jun-17	Westpac Banking Corp	‘AA-/Aa3/NR’	USD1bn	5-year	CT5+77bps
21-Jun-17	Westpac Banking Corp	‘AA-/Aa3/NR’	USD500mn	5-year	3mL+71bps
21-Jun-17	Suntory Holdings Ltd	Not Rated	USD600mn	5-year	CT5+82bps
20-Jun-17	Wing Tai Holdings Ltd.	Not Rated	SGD150mn	Perp NC5	4.08%
20-Jun-17	Export-Import Bank of Korea	‘AA/Aa2/NR’	USD400mn	5-year	3mL+80bps

Source: OCBC, Bloomberg

Rating Changes: S&P has upgraded Guotai Junan Securities Co. Ltd. (GTJA) and Guotai Junan International Holdings Ltd. (GTJAI) to 'BBB+' from 'BBB'. In addition, S&P removed all the ratings from CreditWatch with positive implications, and placed the upgraded ratings on stable outlook. The rating action reflects S&P's expectation for the company to sustain its very strong capital position over the next 12-24 months, as denoted by S&P's expectation of a risk-adjusted capital (RAC) ratio above 15%. Moody's has assigned a 'Ba1' corporate family rating to Alinta Energy Limited (Alinta) with stable outlook. The rating action reflects the absence of a track record under the new owner, as well as the possibility of future material acquisitions, which could increase financial leverage and/or the company's business risk.

Credit Headlines:

Industry Outlook – Australian Banks: In South Australia's State Budget 2017-2018 disclosed yesterday, Treasurer Koutsantonis unveiled a 1.5bps levy on certain classes of liabilities of the five affected major banks (Australia & New Zealand Banking Group Ltd. (ANZ), Commonwealth Bank of Australia, Macquarie Group Ltd., National Australia Bank Ltd. (NAB) and Westpac Banking Corp.(WBC)). This comes on top of the Federal Budget's initial 6bps levy over the banks' liabilities, proposed earlier on 9 May 2017 (passed through the national legislature in Canberra this week) and effective 1 July 2017 (refer to [OCBC Asian Credit Daily – 11 May 2017](#)). The additional 1.5bps levy, however, will only apply to a share of bank liabilities equal to the state's share of the national economy (South Australia accounts for 6.1% of Australia 2015-2016 GDP). The South Australian state expects the tax to raise AUD370mn from the banks over four years. (Australia Department of Foreign Affairs and Trade, Bloomberg, Sydney Morning Herald, OCBC)

CWT Ltd (“CWT”): The China Banking Regulatory Commission (“CBRC”) is reportedly examining the leverage exposure of five high profile China-based companies, namely HNA Group, Dalian Wanda, Anbang, Fosun, and Rossoneri Sports Investment Management. In addition to onshore debt, lenders were also reportedly asked to look at guarantees provided by banks that allowed the firms to borrow overseas. CWT is in the process of being acquired by HNA Group (pre-conditional voluntary offer was announced in April 2014) (refer to [OCBC Asia Credit – CWT Limited Credit Update \(20 Apr 2017\)](#)). Financing is an important factor in assessing risk of deal completion. In April 2017, we had no evidence to suggest that HNA Group would face difficulties in raising financing for the transaction, though this factor is now being thrown into question. As at 31 December 2016, HNA Holding Group Co. Ltd (the Hong Kong listed entity of HNA Group, “acquirer”) only had a cash balance of HKD1.1bn which is insufficient to complete the deal without external funding. Equity markets on 22 June 2017 have reacted on the downside (down 5.3%). In so far as the CWTSP '19s and '20s are concerned, we see this as a credit neutral to slight-positive impact. The current key management team were agreeable to a three-year term under the potential new owners and even assuming the deal breaks, it is far likelier for management team to “go back to business as usual” as a means to preserve value for shareholders. (WSJ, OCBC)

China Vanke Ltd (“VNRKLE”): The Financial Times had published an article with regards to Global Logistics Properties Ltd (“GLP”). Among other matters, the article alleges that certain private equity bidders have dropped out of the bidding process for GLP. GLP's listed equity is currently on trading halt pending an announcement. If the other private equity players have indeed pulled out, the consortium reportedly comprising of GLP's CEO, Hopu, Hillhouse Capital Management, VNRKLE, JD.Com, Ping An Insurance and a fund which manages money for Alibaba's Jack Ma may be left in a stronger negotiating position. It remains to be seen who would emerge as a winning bidder. We are holding VNRKLE's issuer profile at Neutral for now until more details are provided with regards to the transaction. (Financial Times, OCBC)

Credit Headlines (cont'd):

National Australia Bank Ltd. ("NAB"): NAB announced today that it will raise variable home loan rates for both owner-occupier and residential investors paying interest only home loans, effective 30 June 2017. Owner-occupier making interest only repayments will see rates increase by 0.35%pa to 5.77%pa, investor making interest only repayments will see rates increase by 0.35%pa to 6.25%pa. On the other hand, owner-occupiers making principal and interest repayments will see rates decrease by 0.08%pa to 5.24%pa. Borrowers will not incur a fee to switch their repayments to principal and interest. The raise follows Westpac's 0.34%pa increase for the same type of customers this week, and Australia and New Zealand Banking Group's (ANZ) 0.3%pa raise two weeks ago. NAB made mention that the increment was needed to comply with regulatory requirements, "including APRA's 30% limit on new interest-only lending for residential mortgages". NAB has raised home loan rates for both existing owner occupiers as well as residential investors while lowering home loan rates for first time home buyers earlier in 1Q2017 (refer to [OCBC Asian Credit Daily – 17 Mar 2017](#)). (Company, Bloomberg, OCBC)

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