

Aug 24, 2017

Credit Headlines (Page 2 onwards): Ezion Holdings Ltd, Nam Cheong Ltd, Australia and New Zealand Banking Group Ltd, Westpac Banking Corporation, Keppel Corp Ltd

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 2-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in SIASP 3.13%'27s, HRAM 3.2%'21s, and mixed interest seen in SCISP 3.7325%'20s, WINGTA 4.35%-PERPS, HSBC 4.7%-PERPS. In the broader dollar space, the spread on JACI IG Corporates traded little changed at 190bps. Similarly, the yield on JACI HY Corp traded little changed at 6.96%. 10y UST yields fell 5bps to 2.17%, after Trump's threats to shut down the government sparked demand for safe haven assets.

New Issues: The Housing & Development Board of Singapore has priced a SGD600mn 5-year bond at 1.825%. The expected issue ratings are 'NR/Aaa/NR'. Mapletree Treasury Services Ltd has priced a SGD300mn 8-year bond (guaranteed by Mapletree Investments Pte Ltd) at 2.85%, in line with initial guidance of high 2% area. OUE CT Treasury Pte Ltd is reportedly pricing a SGD 3-year bond (guaranteed by DBS Trustee Ltd, in its capacity as trustee of OUE Commercial Real Estate Investment Trust). The initial guidance is at 3.25% area. Shinhan Bank Co Ltd has scheduled investor meetings for potential USD bond issuance from 28 Aug.

Rating Changes: Moody's has affirmed Tingyi (Cayman Islands) Holding Corp's 'Baa1' issuer rating, while revising its outlook to stable from negative. The rating action reflects Tingyi's ability to generate operating cash flow to deleverage, which gives it a stronger level of financial flexibility in the challenging operating environment.

Table 1: Key Financial Indicators

	24-Aug	1W chg (bps)	1M chg (bps)		24-Aug	1W chg	1M chg
iTraxx Asiax IG	81	-1	-3	Brent Crude Spot (\$/bbl)	52.53	2.94%	8.09%
iTraxx SovX APAC	21	-1	0	Gold Spot (\$/oz)	1,287.85	-0.02%	2.59%
iTraxx Japan	43	0	3	CRB	177.58	1.27%	0.77%
iTraxx Australia	75	-1	-3	GSCI	379.99	1.36%	2.37%
CDX NA IG	61	-1	4	VIX	12.25	4.34%	29.90%
CDX NA HY	107	0	-1	CT10 (bp)	2.178%	-0.71	-7.70
iTraxx Eur Main	58	1	5	USD Swap Spread 10Y (bp)	-6	-1	-3
iTraxx Eur XO	248	4	11	USD Swap Spread 30Y (bp)	-35	-2	-3
iTraxx Eur Snr Fin	57	2	6	TED Spread (bp)	32	1	17
iTraxx Sovx WE	6	0	0	US Libor-OIS Spread (bp)	16	0	1
iTraxx Sovx CEEMEA	45	0	-9	Euro Libor-OIS Spread (bp)	3	0	0
					24-Aug	1W chg	1M chg
				AUD/USD	0.790	0.14%	-0.35%
				USD/CHF	0.967	-0.37%	-2.12%
				EUR/USD	1.180	0.64%	1.34%
				USD/SGD	1.361	0.39%	0.06%
Korea 5Y CDS	64	0	7	DJIA	21,812	-0.97%	1.39%
China 5Y CDS	64	-1	-2	SPX	2,444	-0.98%	-1.05%
Malaysia 5Y CDS	76	-3	-8	MSCI Asiax	656	0.71%	0.28%
Philippines 5Y CDS	67	-2	-7	HSI	27,540	0.48%	3.12%
Indonesia 5Y CDS	109	-2	-8	STI	3,272	0.10%	-1.17%
Thailand 5Y CDS	57	-4	-9	KLCI	1,773	-0.21%	0.60%
				JCI	5,897	0.09%	1.65%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
23-Aug-17	Housing & Development Board	'NR/Aaa/NR'	SGD600mn	5-year	1.825%
22-Aug-17	Mapletree Treasury Services Ltd	Not Rated	SGD300mn	8-year	2.85%
21-Aug-17	Olam International Limited	Not Rated	USD50mn	5-year	3.65%
21-Aug-17	Hyundai Capital Services Inc	'A-/Baa1/NR'	USD600mn	5-year	CT5+135bps
17-Aug-17	Zhongtai International Bond 2017 (BVI) Company Ltd	Not Rated	USD300mn	3-year	4.25%
16-Aug-17	Mapletree Commercial Trust Treasury Company Pte Ltd	Not Rated	SGD100mn	10-year	3.045%
16-Aug-17	Phoenix Lead Ltd	'BBB/NR/NR'	USD500mn	Perp NC5	4.85%
16-Aug-17	Medco Strait Services Pte Ltd (re-tap)	'B/B2/B'	USD100mn	MEDCLJ 8.5%'22s	99.005

Source: OCBC, Bloomberg

Credit Headlines:

Ezion Holdings Ltd (“EZI”): EZI has provided an update on its “Stakeholder Engagement” initiatives as flagged in its recent 2Q2017 results (refer [OCBC Asian Credit Daily - 14 August 2017](#)). As such, EZI has arranged informal stakeholder meetings with lenders and bond holders tomorrow (Aug 25th) and Monday (Aug 28th). We continue to hold EZI’s Issuer Profile at Negative and have withdrawn our bond recommendations on EZI’s various bonds as we believe that a restructuring of its bonds could be imminent. We will continue to monitor the situation closely. (Company, OCBC)

Nam Cheong Ltd (“NCL”): NCL has announced that it will not be paying the following near term commitments: (1) Coupon and principal due 28 Aug 2017 on the NCLSP 5.0% ‘17s; and (2) Coupon due 26 Aug 2017 on the NCLSP 5.05% ‘19s. This is consistent with NCL’s prior announcements of its inability to service its borrowings and its informal bond holder meeting to discuss tentative restructuring plans (refer [Nam Cheong Limited: Credit Update - 17 August 2017](#)). As per the company’s announcement, there are interest service reserve accounts (ISRA) for both the NCLSP 5.0% ‘17s and NCLSP 5.05% ‘19s that contain 2 coupon payments. It should be noted that following NCL’s announcement on 20 Jul 2017 that it would not pay the coupon on the NCLSP 6.5% ‘18s, it eventually paid the coupon on 1 Aug 2017 from the ISRA for the NCLSP 6.5% ‘18s. We still await further updated details on NCL’s restructuring plans and expect the route of NCL to be similar to that of Ezion Holdings Ltd with the recent release of 2Q2017 results to provide the basis and context for more detailed discussions on any proposed restructuring. We will continue to monitor the situation closely. (Company, OCBC)

Australia and New Zealand Banking Group Ltd (“ANZ”): ANZ’s proposed sale of its 24% stake in AMMB Holdings (AmBank) to Malaysian retirement fund Kumpulan Wang Persaraan (Diperbadankan) (KWAP) for around USD790mn is now unlikely to proceed following the cancellation of the proposed merger between AmBank and RHB Bank. According to ANZ, the sale of AmBank would potentially have added 30bps to ANZ’s CET1 capital ratio. In its recently released third quarter trading update, ANZ’s proforma APRA CET1 ratio (which includes the positive capital impact from announced but yet to be completed asset disposals) was 10.5% as at 30 Jun 2017, the same level as APRA’s minimum CET1 requirement of 10.5% by Jan 1, 2020 for banks to have ‘unquestionably strong’ capital ratios as recommended by the 2014 Financial System Inquiry. Although the cancellation of the sale would potentially drop the proforma CET1 ratio to 10.2% as at 30 Jun 2017 all other things being equal (actual CET1 ratio was 9.8%), ANZ’s CET1 ratio would still be above those of peers we cover, including Westpac Banking Corporation and National Australia Bank Ltd whose CET1 ratios as at 30 Jun 2017 were 10.0% and 9.7% respectively. The news does not impact our Neutral issuer profile on ANZ. (Company, OCBC)

Westpac Banking Corporation (“WBC”): WBC announced some limited details with regards its 3Q2017 performance (end 30 Jun 2017) on 21 Aug 2017. Highlights include: (1) Stable q/q CET1 capital ratio of 10.0% as solid earnings performance, sale of BT Investment Management (BTIM) shares and higher dividend reinvestment plan participation mitigated payment of the 1H2017 dividend and a slight rise in risk weighted assets. On an internationally comparable basis, WBC’s CET1 capital ratio was 15.3% at 30 Jun 2017; (2) Slight reduction in impaired assets with the ratio of stressed assets to total committed exposures falling 4bps to 1.10% despite a 2bps rise in Australian mortgage delinquencies and a 12bps rise in Australian unsecured delinquencies (due to changes in reporting of hardship) with total stressed assets down 2% q/q or AUD200mn to AUD11bn as upgrades exceeded downgrades in 3QFY2017; and (3) ongoing refinement of mortgage lending (reflective of Australian Prudential Regulation Authority’s (APRA) prudential measures to lower risks in Australia’s housing sector). In terms of asset quality, WBC identified New Zealand Dairy, Retail trade, Mining and oil & gas and commercial property as areas of focus. We maintain our Neutral Issuer Profile on WBC. (Company, OCBC)

Keppel Corp Ltd (“KEP”): KEP, through its wholly owned subsidiary Keppel AmFELS, has won a USD400mn (SGD544mn) to construct two Liquefied Natural Gas (“LNG”) fuelled containerships from Honolulu-based Pasha Hawaii (“PH”). PH offers container and roll-on/roll-off service for wheeled vehicles in the Mainland/Hawaii trade. PH is wholly-owned by The Pasha Group, which is a family-owned logistics and transportation services company. The first vessel is expected to be delivered in 1Q2020, and the second vessel in 3Q2020. We estimate that this brings the YTD order wins to SGD844mn, which includes orders for LNG carriers and FPSO conversions. (Company, OCBC)

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