

January 15, 2018

Credit Headlines (Page 2 onwards): Australia and New Zealand Banking Group Ltd

Market Commentary: The SGD swap curve bull-flattened last Friday, with the shorter tenor trading 1bps higher while the longer tenors traded 2bps lower. Flows in SGD corporates were heavy, with better buying seen in EREIT 4.6%-PERPs, WINGTA 4.35%-PERPs and OLAMSP 5.8% '19. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 109bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS fell 32bps to 277bps. 10y UST yield traded mixed last Friday, with yields rising 5bps to 2.59%, on the back of better than expected December core CPI data last Friday. However, the rise in yields did not sustain as yields subsequently fell back towards the end of the day to close just 1 bps higher at 2.55bps.

New Issues: Geely Automobile Holdings Ltd has scheduled for investor meetings from 15 Jan for its potential USD bond issuance. The expected issue ratings are 'BBB-/NR/NR'. Bank of Communications Co Ltd and Hankook Tire Co Ltd have also scheduled for investor meetings for 15 Jan for their potential USD issuances. Export-Import Bank of India has hired banks for its potential dollar bond sale.

Rating Changes: Moody's has assigned Hanwha Life Insurance Co Ltd a rating of 'A1'. The outlook is stable. The rating action reflects Hanwha Life's strong market presence as the second-largest life insurer in Korea, strong tied agency force, coupled with its improving mix and solid capitalisation. Fitch has upgraded Lembaga Permbiayaan Ekspor Indonesia's (Indoexim) issuer default rating to 'BBB' from 'BBB-'. The outlook is stable. The rating action follows Fitch's upgrade of Indonesia's sovereign rating to 'BBB' from 'BBB-' as Indoexim is 100% owned by the government of Indonesia. Fitch has placed China-based rental and services operator eHi Car Services' 'BB-' issuer default rating, and outstanding bonds and senior unsecured ratings on Rating Watch Negative. The rating action reflects reduced financial transparency and limited visibility over the company's long-term strategy following the proposed privatisation of the company. Moody's has

Table 1: Key Financial Indicators

	15-Jan	1W chg (bps)	1M chg (bps)		15-Jan	1W chg	1M chg
iTraxx Asiax IG	60	-2	-11	Brent Crude Spot (\$/bbl)	69.71	2.85%	10.25%
iTraxx SovX APAC	10	-1	-4	Gold Spot (\$/oz)	1,337.59	1.30%	6.46%
iTraxx Japan	43	-1	-3	CRB	196.06	1.35%	6.25%
iTraxx Australia	54	0	-8	GSCI	453.23	2.14%	7.99%
CDX NA IG	47	1	-4	VIX	10.16	10.20%	7.86%
CDX NA HY	109	0	1	CT10 (bp)	2.546%	6.62	19.32
iTraxx Eur Main	44	1	-4	USD Swap Spread 10Y (bp)	1	2	0
iTraxx Eur XO	229	7	-7	USD Swap Spread 30Y (bp)	-19	1	0
iTraxx Eur Shr Fin	43	0	-4	TED Spread (bp)	28	-3	3
iTraxx Sovx WE	0			US Libor-OIS Spread (bp)	24	-1	5
iTraxx Sovx CEEMEA	32	1	-8	Euro Libor-OIS Spread (bp)	1	-1	0
					15-Jan	1W chg	1M chg
				AUD/USD	0.792	0.93%	3.52%
				USD/CHF	0.968	0.97%	2.35%
				EUR/USD	1.220	1.91%	3.80%
				USD/SGD	1.324	0.68%	1.91%
Korea 5Y CDS	43	-5	-12	DJIA	25,803	2.01%	4.67%
China 5Y CDS	47	0	-6	SPX	2,786	1.57%	4.13%
Malaysia 5Y CDS	53	-1	-9	MSCI Asiax	743	0.12%	7.03%
Philippines 5Y CDS	54	-1	-8	HSI	31,413	1.94%	8.89%
Indonesia 5Y CDS	79	-1	-13	STI	3,521	0.89%	3.03%
Thailand 5Y CDS	41	-1	-6	KLCI	1,823	0.26%	3.97%
				JCI	6,370	0.26%	4.10%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Jan-18	Moss Creek Resources Holdings Ltd	'B+/NR/NR'	USD700mn	8NC3	7.5%
12-Jan-18	Heeton Holdings Ltd	Not rated	SGD118mn	3.5-year	6.08%
11-Jan-18	Yingde Gases Investment Ltd	'B/Caa1/B+'	USD500mn	5NC3	6.30%
11-Jan-18	Rosy Delta Investment Ltd	Not rated	USD150mn	6-year	4.875%
11-Jan-18	Leader Goal International Ltd	'NR/Baa1/BBB+'	USD500mn	CHPWCN 4.25%'23	4.25%
11-Jan-18	Petron Corporation Ltd	Not rated	USD500mn	PCORPM 4.6%'23	4.6%
11-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD1bn	20-year	CT20+105bps
11-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD2.5bn	10-year	CT10+105bps
11-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD500mn	5-year	3mL+60.5bps
11-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD1bn	5-year	CT5+65bps
11-Jan-18	Mercatus Co-operative Ltd	Not rated	SGD150mn	10-year	3.1%

Source: OCBC, Bloomberg

Rating Changes (cont'd): affirmed E Mart Inc's 'Baa2' issuer rating, changing the outlook to stable from negative. The rating action reflects its improved financial leverage in 2017 and Moody's expectation that deleveraging efforts are likely to continue in 2018, due to its decrease in adjusted debt. Its 'Baa2' rating is supported by the company's leading position in Korea's hypermarket sectors as well as its stable operations as a result of its low product volatility and cyclical. Fitch has placed PT Bank Danamon Indonesia ('Bank Danamon') on rating watch positive on Mitsubishi UFJ Financial Group Inc's (MUFG) deal to acquire a 20% stake in Bank Danamon. The rating action reflects the likelihood of extraordinary support from MUFG if it successfully raises its stake in Bank Danamon to 40%. Rating upside for Danamon could also come from a significant improvement in its franchise which would lead to better funding and liquidity metrics.

Credit Headlines:

Australia and New Zealand Banking Group Ltd ("ANZ"): ANZ has reportedly cancelled its sales agreement with HNA Group for the sale of UDC Finance (UDC). This follows the decline of HNA Group's application to New Zealand's Overseas Investment Office for the transaction (refer to [OCBC Asian Credit Daily – 2 January 2018](#)). At the time of the New Zealand Overseas Investment Office's announcement, ANZ put the onus on HNA Group to resolve the situation through an appeal, but with HNA Group apparently not progressing, the deal has been cancelled. The aforementioned events have not impacted our view of ANZ's Neutral Issuer Profile. (OCBC, Company)

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