

July 3, 2018

**Credit Headlines:** Lippo Malls Indonesia Retail Trust, ABN Amro Group NV, Keppel Corporation Limited

## **Market Commentary**

- The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading around 1bps lower while the longer tenors traded 2-3bps lower.
- Flows in SGD corporates were moderate yesterday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 146bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 519bps.
- 10Y UST yields initially fell 4bps to 2.82% as the EU warned that the United States imposition of import tariffs on cars and car parts would likely lead to counter measures on USD294bn of US exports. Yields rebounded 5bps subsequently to close at 2.87% as US manufacturing PMI data came in better-than-expected despite increasing trade tension between the US and its major trade partners.

## **Credit Headlines:**

### **Lippo Malls Indonesia Retail Trust (“LMRT”) | Issuer Profile: Negative (6)**

- LMRT announced the resignation of Ms Chan Lie Ling as CEO and Executive Director, with effect from 31 Aug 2018.
- In our view, this appears to be a sudden event as Ms Chan had helmed LMRT for only over a year (since 16 March 2017) and the reason cited was due to her family commitments. Her resignation during these [troubled times](#) may leave LMRT with further uncertainty. We will be engaging LMRT for further clarity. (OCBC, Company)

### **ABN Amro Group NV (“ABN”) | Issuer Profile: Neutral (3)**

- ABN has announced that it would not be redeeming its Additional Tier 1 instruments (EUR1bn 5.75% PERPc'20 and EUR1bn 4.75% PERPc'27).
- This is following the [Dutch Ministry of Finance's announcement](#) on June 29<sup>th</sup> of its intention to cancel the tax deductibility of coupons on Additional Tier 1 ('AT1') instruments from January 2019. In its response to the Dutch government's announcement, Rabobank (a Netherlands-based peer of ABN) has stated that there has been no formal amendment or any legislative proposal to change existing tax regulations so the status of this change is still preliminary. That said, Rabobank has also stated its intention to call or redeem its AT1 instruments.
- AT1 documentation consistently provides for an issuer option to call the instrument for taxation reasons including when the issuer can no longer treat coupon payments as tax deductible.
- According to the Dutch Ministry of Finance, the reasons for this change include (1) generation of EUR150mn in tax revenue; (2) intention for banks to raise more equity; and (3) comply with European Commission directives to eliminate state aid with coupon tax deductibility seen as a form of state support.
- With the European Commission seeking to implement similar measures in the EU, we could see call risk increasing for European bank AT1 instruments or additional downward pressure on cash prices. We will continue to monitor developments in this space. (Company, OCBC, Dutch Ministry of Finance)

## Credit Headlines (cont'd):

### **Keppel Corporation Limited ("KEPSP") | Issuer Profile: Neutral (3)**

- On 29 June 2018, Keppel Land Limited ("KLL"), a wholly-owned subsidiary of KEP, through KLL's indirectly wholly-owned subsidiary, Orbista Pte Ltd ("Orbista") has completed the sale of 30% of Orbista's interest in the Quoc Loc Phat Joint Stock Company ("QLP") for SGD41.2mn. A [sale and purchase agreement](#) was entered into earlier.
- Yesterday KEPSP announced that KLL's indirectly owned 15%-stake in QLP would be divested to Fortune Paradise Holdings Limited for ~SGD40.2mn in cash and the transaction is targeted to complete in 3Q2018.
- Post-divestment to Fortune Paradise Holdings Limited, KLL (and in turn KEPSP) would no longer hold any interest in QLP. Given the small scale, this transaction is credit neutral in our view. (Company, OCBC)

**Table 1: Key Financial Indicators**

	3-Jul	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	95	9	18
iTraxx SovX APAC	15	1	3
iTraxx Japan	57	3	13
iTraxx Australia	82	7	13
CDX NA IG	68	2	4
CDX NA HY	106	-1	-1
iTraxx Eur Main	75	2	10
iTraxx Eur XO	327	11	39
iTraxx Eur Snr Fin	92	4	18
iTraxx Sovx WE	25	-1	1
AUD/USD	0.734	-0.77%	-4.07%
EUR/USD	1.164	-0.07%	-0.50%
USD/SGD	1.369	-0.45%	-2.39%
China 5Y CDS	71	9	16
Malaysia 5Y CDS	112	7	19
Indonesia 5Y CDS	142	7	19
Thailand 5Y CDS	50	2	5

	3-Jul	1W chg	1M chg
Brent Crude Spot (\$/bbl)	77.57	1.65%	1.02%
Gold Spot (\$/oz)	1,242.29	-1.33%	-3.85%
CRB	197.50	1.10%	-2.09%
GSCI	479.57	2.85%	0.52%
VIX	15.6	-9.98%	15.90%
CT10 (bp)	2.869%	-0.73	-3.29
USD Swap Spread 10Y (bp)	8	0	2
USD Swap Spread 30Y (bp)	-5	1	2
TED Spread (bp)	42	-1	2
US Libor-OIS Spread (bp)	39	-1	-3
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	24,307	0.22%	-1.33%
SPX	2,727	0.35%	-0.29%
MSCI Asiax	667	-1.12%	-6.44%
HSI	28,955	-1.31%	-5.04%
STI	3,239	-0.67%	-5.50%
KLCI	1,685	0.41%	-4.06%
JCI	5,747	-1.92%	-3.96%

## New issues

- Tongyang Life Insurance Co Ltd has scheduled for investor meetings from 2 July for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
27-Jun-18	CapitaLand Retail China Trust	SGD130mn	4-year	3.25%
27-Jun-18	Korea National Oil Corp	USD400mn	5-year	3mL+87.5bps
26-Jun-18	Huarong Finance 2017 Co Ltd (re-tap)	USD150mn	HRAM 4.75%'27	95.941+accrued interest
26-Jun-18	Huarong Finance 2017 Co Ltd	USD550mn	5-year	3mL+132.5bps
26-Jun-18	Huarong Finance 2017 Co Ltd	USD400mn	3-year	3mL+117.5bps
25-Jun-18	Far East Horizon Ltd	USD400mn	3-year	3mL+200bps
21-Jun-18	Agile Group Holdings Ltd	USD100mn	Perp NC3	8.55%
21-Jun-18	Horse Gallop Finance Ltd	USD700mn	3-year	3mL+118bps
21-Jun-18	Zhenro Properties Group Ltd	USD250mn	2-year	11.5%
20-Jun-18	Guangsha Holding Group Co Ltd	USD300mn	364-day	7.0%
20-Jun-18	GS Caltex Corp	USD300mn	5-year	CT5+120bps
19-Jun-18	Korea Development Bank	CNH1.75bn	3-year	4.6%
19-Jun-18	Greenland Hong Kong Holdings Ltd	USD200mn	364-day	7.875%
15-Jun-18	Greenland Global Investment Ltd	USD250mn	3.25-year	3mL+485bps
14-Jun-18	CFLD Cayman Investment Ltd	USD200mn	3-year	9.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	HKD2.6bn	2-year	3.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	5-year	3mL+85bps
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	3-year	3mL+75bps

Source: OCBC, Bloomberg

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Ezien Hoo, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2533  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "**Relevant Materials**") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "**Relevant Entity**") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID**") and the EU's Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (together referred to as "**MiFID II**"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).