

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors around 0-1bps higher, and the belly and longer tenors around 1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 512bps. The HY-IG Index spread widened 3bps to 384bps.
- Flows in SGD corporates were heavy, with large ticket flows in CAPLSP 3.65%-PERPs. We also saw flows in UBS 4.85%-PERPs and NISSGP 3.15%'31s.
- 10Y UST Yields fell 2bps to 1.75%, reversing earlier intraday movements where 10Y UST yields hit as high as 1.79%, with investors watching for developments on the US-China trade deal.

Credit Research

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Credit Summary:

- [Westpac Banking Corporation](#) | **Positive (2)**: In a further development to the current proceedings for Westpac, current CEO Brian Hartzler is stepping down while chairman Lindsay Maxsted will bring forward his planned 2020 departure to the first half of next year. The medium to longer term impact of these changes is still somewhat indeterminable although unquestionably negative in our view.
- [Olam International Ltd](#) | **Neutral (5)**: OLAM announced that a wholly-owned subsidiary has entered into an agreement to sell the real estate assets of its onion and garlic processing facility in Gilroy, California to a US-based investment management firm Mesirow Financial for a consideration of USD110.3mn (~SGD150.5mn). OLAM will receive cash proceeds of USD110.3mn and is expected to book a one-time pre-tax capital gain of USD97.0mn (~SGD132.4mn).
- [CMA CGM](#) | **Negative (6)**: CMA CGM announced good 3Q2019 results. Revenue was up 25.8% y/y to USD7.6bn, with volumes carried up 5.1% compared to 3Q2018. Over the quarter, operating expenses rose 16.1% y/y. As a result, core EBITDA came in at USD1.0bn, and at USD384mn excluding the impact of IFRS16 and the contribution from CEVA Logistics. Along with the results, CMA CGM announced its plan to lighten its capital structure by divesting and refinance certain assets. Should the following transactions go through, CMA CGM will be able to raise more than USD2bn in cash by mid-2020, ahead of the maturity of NOLSP 4.65% '20s which will come due on 9 Sep 2020. We see this as credit positive for CMA CGM.

Asian Credit Daily

Credit Headlines

Westpac Banking Corporation (“WSTP”) | Issuer Profile: Positive (2):

- In a further development to the current proceedings for Westpac (refer [Asian Credit Daily 25th Nov](#) and [Asian Credit Daily 20th Nov](#)), current CEO Brian Hartzer is stepping down while chairman Lindsay Maxsted will bring forward his planned 2020 departure to the first half of next year. This was not unexpected given the severity of the charges against Westpac.
- While this will contain some pressure in the short term for Westpac and placate investors and politicians for the time being (especially ahead of the December 12th Annual General Meeting), the medium to longer term impact is still somewhat indeterminable although unquestionably negative in our view. (Bloomberg, OCBC)

Olam International Ltd (“OLAM”) | Issuer Profile: Neutral (5)

- OLAM announced that a wholly-owned subsidiary has entered into an agreement to sell the real estate assets of its onion and garlic processing facility in Gilroy, California to a US-based investment management firm Mesirow Financial (“Mesirow”) for a consideration of USD110.3mn (~SGD150.5mn). As part of the agreement, OLAM has entered into a revenue sharing agreement with Mesirow where OLAM and Mesirow will share the annual revenue from operating the assets for a period of 25 years.
- OLAM will receive cash proceeds of USD110.3mn and is expected to book a one-time pre-tax capital gain of USD97.0mn (~SGD132.4mn). In our view, this generates a one-off cash inflow into OLAM which may improve unadjusted net gearing levels at OLAM temporarily prior to redeployment of funds. However, OLAM as an operator would need to be sharing revenue with new owners of the underlying real estate which should lower its profitability (excluding the one-off gains). As such, we see this as a credit neutral event for OLAM. (Company, OCBC)

Asian Credit Daily**Credit Headlines****CMA CGM (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Negative (6)**

- CMA CGM announced good 3Q2019 results. Revenue was up 25.8% y/y to USD7.6bn, with volumes carried up 5.1% compared to 3Q2018. Over the quarter, operating expenses rose 16.1% y/y. As a result, core EBITDA came in at USD1.0bn, and at USD384mn excluding the impact of IFRS16 and the contribution from CEVA Logistics. EBITDA margin was 13.3%, more than doubling the 6.0% recorded over the same period a year ago. CMA CGM’s profit to owners (ie: after minority investors) in 3Q2019 was USD45.4mn. We note that CMA CGM reflected a net loss of USD109.2mn in 2Q2019.
- Along with the results, CMA CGM announced its plan to lighten its capital structure by divesting and refinance certain assets. Should the following transactions go through, CMA CGM will be able to raise more than USD2bn in cash by mid-2020, ahead of the maturity of NOLSP 4.65% ‘20s which will come due on 9 Sep 2020. We see this as credit positive for CMA CGM.
- The plan includes:
 - Vessel sale and leaseback transactions which totals USD860mn. USD650mn of which was already completed during Q32019 and the USD210mn scheduled to close over the coming weeks.
 - Sale of stakes held by CMA CGM in ten port terminals to Terminal Link, a joint venture (set up in 2013 and owned 51% by CMA CGM and 49% by China Merchants Port) for USD968mn. The transaction, which is subject to antitrust and other regulatory approvals, is expected to close in Spring 2020.
 - Sale of a 50% stake in a logistics hub in India for USD93mn (of which USD85mn to be paid immediately at completion and USD8mn in a four-year earn-out). Expected completion is 1Q2020.
 - Step up CEVA’s receivables securitisation programme in return for USD100mn.
- Net gearing of CMA CGM was stable q/q at 3.47x (2Q19: 3.48x, 1Q19: 3.19x). Should CMA CGM commit to deleverage, we expect net gearing to improve along with its overall credit health. We continue to review the numbers (Company, OCBC).

Key Market Movements

	26-Nov	1W chg (bps)	1M chg (bps)		26-Nov	1W chg	1M chg
iTraxx Asiax IG	65	1	-1	Brent Crude Spot (\$/bbl)	63.65	1.94%	2.63%
iTraxx SovX APAC	31	0	0	Gold Spot (\$/oz)	1,453.63	-1.28%	-2.61%
iTraxx Japan	54	0	-6	CRB	180.57	0.78%	1.23%
iTraxx Australia	57	0	-3	GSCI	420.02	1.05%	0.91%
CDX NA IG	50	-2	-3	VIX	11.87	-4.74%	-6.17%
CDX NA HY	107	0	0	CT10 (%)	1.764%	-1.89	-3.06
iTraxx Eur Main	48	-1	-2				
iTraxx Eur XO	228	-5	0	AUD/USD	0.678	-0.76%	-0.91%
iTraxx Eur Snr Fin	58	-1	0	EUR/USD	1.101	-0.61%	-0.81%
iTraxx Eur Sub Fin	122	0	5	USD/SGD	1.365	-0.31%	-0.21%
iTraxx Sovx WE	12	-1	1	AUD/SGD	0.925	0.44%	0.70%
USD Swap Spread 10Y	-9	2	-1	ASX 200	6,785	-0.43%	0.68%
USD Swap Spread 30Y	-36	4	3	DJIA	28,066	0.11%	4.11%
US Libor-OIS Spread	36	1	2	SPX	3,134	0.37%	3.68%
Euro Libor-OIS Spread	5	1	2	MSCI Asiax	655	-0.46%	2.66%
				HSI	26,993	1.17%	1.22%
China 5Y CDS	40	1	1	STI	3,221	-1.17%	1.10%
Malaysia 5Y CDS	42	1	-1	KLCI	1,591	-0.81%	1.36%
Indonesia 5Y CDS	75	2	-1	JCI	6,071	-0.85%	-2.90%
Thailand 5Y CDS	27	0	0	EU Stoxx 50	3,708	0.07%	2.29%
Australia 5Y CDS	18	1	0				

Source: Bloomberg

Asian Credit Daily

New Issues

- China State Construction Finance (Cayman) III Limited (Guarantor: China State Construction International Holdings Limited) priced a USD500mn NC5-Perpetual bond at T+241bps, tightening from IPT of T+293bps area.
- TMB Bank Public Company Limited priced a USD400mn a NC5-Perpetual AT1 at 4.9%, tightening from IPT of 5.2% area.
- Tianfeng Securities Co., Ltd scheduled investor meetings commencing 26 Nov for its proposed USD bond issuance.
- AC Energy Finance International Limited scheduled investor conference calls on 25 Nov for its potential USD NC3-Perpetual bond issuance.
- The People's Republic of China, acting through the Ministry of Finance, mandated banks for its potential multi-tranche USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
25-Nov-19	China State Construction Finance (Cayman) III Limited	USD500mn	NC5-Perpetual	T+241bps
25-Nov-19	TMB Bank Public Company Limited	USD400mn	NC5-Perpetual	4.9%
22-Nov-19	Zhenjiang Transportation Industry Group Co. Ltd	USD220mn	3-year	7.0%
21-Nov-19	Zhongyuan Asset Management Co., Ltd	USD400mn	3-year	4.2%
21-Nov-19	Anton Oilfield Services Group	USD300mn	3NC2	7.875%
21-Nov-19	Yuzhou Properties Company Limited	USD500mn	5.5NC3	8.3%
21-Nov-19	Franshion Brilliant Limited	USD400mn	NC4.5 Perpetual	7.125%
21-Nov-19	China Development Bank Corporation of Hong Kong	USD300mn	2-year FRN	3m-US LIBOR+40bps
21-Nov-19	The Hongkong Land Treasury Services (Singapore) Pte. Ltd.	SGD150mn	19.25-year	3.45%
20-Nov-19	China Overseas Finance (Cayman) VIII Limited	USD294mn	10-year	T+140bps
20-Nov-19	Zhuhai Da Heng Qin Investment Co., Ltd	USD450mn	3-year	3.8%
20-Nov-19	AAC Technologies Holdings Inc	USD388mn	5NC3	T+150bps
19-Nov-19	PCGI Intermediate Holdings (II) Limited	USD250mn	5-year	5.5%

Source: OCBC, Bloomberg

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