Asian Credit Daily

November 28, 2017

Credit Headlines (Page 2 Onwards): Lippo Malls Indonesia Retail Trust, Julius Baer Group Ltd, Sociéte Générale SA, Soilbuild Business Space REIT

Market Commentary: The SGD swap curve bear-flattened yesterday, with swap rates trading 1-4bps higher across all tenors. Flows in SGD corporates were heavy, with mixed interest seen in BACR 3.75%'30s and HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corp traded little changed at 179bps, while the yield on JACI HY Corp rose 1bps to 6.94%. 10Y UST yields fell 1bps to 2.33%, as a report indicating that Japan has received a signal that North Korea is preparing for a missile launch sent yields downwards.

New Issues: Bank of Communications Co, Hong Kong Branch has priced a two-tranche deal, with the USD400mn 3-year floating rate bond priced at 3mL+80bps, tightening from initial guidance of 3mL+105bps area; and the USD600mn 5-year floating rate bond priced at 3mL+90bps, tightening from initial guidance of 3mL+115bps area. The expected issue ratings are 'A-/NR/NR'. China Construction Bank Corporation, Hong Kong Branch has priced a three-tranche deal, with the USD500mn 3-year fixed-rate bond priced at CT3+100bps, tightening from initial guidance of CT3+115bps; the USD800mn 3-year floating rate bond priced at 3mL+80bps, with the initial guidance at Libor equivalent; and the USD400mn 5-year fixed rate bond priced at CT5+100bps, tightening from initial guidance of CT5+120bps area. The expected issue ratings are 'NR/A1/NR'. King Talent Management Ltd has priced a USD400mn Perp NC5 (guaranteed by Far East Horizon Ltd) at 5.6%, tightening from initial guidance of 5.75%. The expected issue ratings are 'NR/NR/BB'. Lodha Developers International Ltd has priced a USD125mn re-tap of its LOHDA 12%'20s at 106.25, higher than initial guidance of 105.5 area. The issue ratings are 'NR/B2/B'. ORIX Corporation has priced a USD700mn 7-year bond at CT7+105bps, tightening from a revised initial guidance of CT7+120bps area. The expected issue ratings are 'A-/NR/A-'.

Table 1: Key Financial Indicators

	28-Nov	1W chg (bps)	1M chg (bps)		28-Nov	1W chg	1M chg
iTraxx Asiax IG	75	-3	-1	Brent Crude Spot ($/bbl)	63.84	2.60%	5.63%
iTraxx SovX APAC	14	-1	-1	Gold Spot ($/oz)	1,295.52	1.16%	1.51%
iTraxx Japan	47	-1	-2	CRB	191.63	0.65%	2.53%
iTraxx Australia	66	-1	1	GSCI	429.62	1.00%	4.27%
CDX NA IG	53	0	0	VIX	9.87	-13.65%	0.71%
CDX NA HY	108	0	0	CT10 (bp)	2.324%	-3.18	-8.23
iTraxx Eur Main	50	0	-1	USD Swap Spread 10Y (bp)	-1	-1	1
iTraxx Eur XO	237	-3	10	USD Swap Spread 30Y (bp)	-24	-3	5
iTraxx Eur Snr Fin	48	-2	-5	TED Spread (bp)	21	2	-5
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	11	0	0
iTraxx Sovx CEEMEA	47	-4	5	Euro Libor-OIS Spread (bp)	3	0	0
					28-Nov	1W chg	1M chg
				AUD/USD	0.760	0.33%	-1.11%
				USD/CHF	0.981	1.08%	1.38%
				EUR/USD	1.190	1.41%	2.17%
				USD/SGD	1.346	0.61%	1.08%
Korea 5Y CDS	59	-6	-13	DJIA	23,581	0.95%	0.63%
China 5Y CDS	58	-1	7	SPX	2,601	0.88%	0.79%
Malaysia 5Y CDS	65	-3	1	MSCI Asiax	710	-0.60%	3.62%
Philippines 5Y CDS	64	-2	1	HSI	29,686	1.46%	4.39%
Indonesia 5Y CDS	96	-2	2	STI	3,436	0.38%	1.47%
Thailand 5Y CDS	48	0	0	KLCI	1,720	-0.05%	-1.50%
				JCI	6,065	0.19%	1.49%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
27-Nov-17	Bank of Communications Co, Hong Kong Branch	'A-/NR/NR'	USD400mn	3-year	3mL+80bps
27-Nov-17	Bank of Communications Co, Hong Kong Branch	'A-/NR/NR'	USD600mn	5-year	3mL+90bps
27-Nov-17	China Construction Bank Corporation, Hong Kong Branch	'NR/A1/NR'	USD500mn	3-year	CT3+100bps
27-Nov-17	China Construction Bank Corporation, Hong Kong Branch	'NR/A1/NR'	USD800mn	3-year	3mL+80bps
27-Nov-17	China Construction Bank Corporation, Hong Kong Branch	'NR/A1/NR'	USD400mn	5-year	CT5+100bps
27-Nov-17	King Talent Management Ltd	'NR/NR/BB'	USD400mn	Perp NC5	5.6%
27-Nov-17	Lodha Developers International Ltd (re-tap)	'NR/B2/B'	USD125mn	LOHDA 12%'20s	106.25
27-Nov-17	ORIX Corporation	'A-/NR/A-'	USD700mn	7-year	CT7+105bps
24-Nov-17	Nanjing Yangzi State-owned Assets Investment Group Co Ltd	Not Rated	USD300mn	5-year	CT5+185bps
24-Nov-17	Nanjing Yangzi State-owned Assets Investment Group Co Ltd	Not Rated	USD200mn	10-year	CT10+235bps

Source: OCBC, Bloomberg

Rating Changes: Fitch has assigned Dong Yin Development (Holdings) Limited (Dong Yin) Issuer Default Ratings (IDRs) of 'A-'. The outlook is stable. The ratings on Dong Yin are credit-linked to those of its parent, China Orient Asset Management Co Ltd (COAM), as Fitch believes that COAM would provide Dong Yin extraordinary support if needed, as COAM has strong oversight and supervision over Dong Yin, and COAM has 100% ownership of Dong Yin.

Credit Headlines:

Lippo Malls Indonesia Retail Trust ("LMRT"): LMRT announced the consent rate of the consent solicitation exercise. 91.33% of LMRTSP 4.1% '20s ("Series 005"), 85.75% of LMRTSP 4.5% '18s ("Series 001"), 92.32% of LMRTSP 7% PERP ("Series 002") and 86.25% LMRTSP 6.6% PERP ("Series 003") have consented by the final consent expiration date. It is expected that the quorum for each bond tranche will be met, and that the extraordinary resolution to change the trustee (refer to OCBC Asian Credit Daily – 1 Nov 2017) will be passed. (Company)

Julius Baer Group Ltd ("JBG"): JBG announced yesterday the resignation of CEO Boris Collardi with immediate effect to join competitor Pictet Group. He has been replaced as CEO by Bernhard Hodler, the current Chief Risk Officer who has been deputy CEO since September 2017. According to JBG's media release, Mr Hodler has been a member of JBG's senior executive team since 1998 and held various senior positions, including Chief Operating Officer and President of the Management Committee of the Bank. Mr Hodler's position however may not be permanent with JBG also stating it would undertake an evaluation process of the bank's long term leadership. JBG's current strategy is expected to continue under Mr Hodler. Mr Collardi has been widely acknowledged as the driving force of JBG's recent growth which has included acquisitions and the expansion of JBG's pool of relationship managers, mostly in Asia. JBG's growth strategy has recently started to show in results with solid growth in assets under management to record levels, improving cost to income ratios and better margins. That said, the future growth for JBG is now somewhat uncertain given Mr Collardi's influence on strategy and the competitive world of Private Banking, with JBG's share price reacting negatively to the news. In our view, JBG's current solid fundamentals should absorb this change in leadership and there's no impact to the Neutral issuer profile. We will however continue to monitor developments including any other potential staff movements including JBG's 5 regional heads, who according to the new CEO are more involved in client interactions. This is given the relationship based nature of JBG's business and the potential impact on client numbers and assets under management. We maintain our Neutral Issuer Profile on JBG. (Company, OCBC)

Société Générale SA ("SG"): SG announced its 2020 Strategic and Financial Plan yesterday (to be presented today), which is built on 5 key strategic and operational priorities – grow, accelerate digital business transformation, strict cost discipline, refocusing of the group, and fostering a culture of responsibility. These are supported by 4 categories of financial targets for 2020 including (1) capturing growth (revenue and RWA CAGR of 3%); (2) Delivering on cost discipline (cost to income ratio below 63% (~72% for 9M2017), 2020 costs below EUR17.8bn); (3) improved profitability (ROTE ~11.5%); and (4) a strong balance sheet (fully loaded CET1 ratio above 12%, leverage ratio between 4-4.5%). SG's new strategy follows the completion of its 2014-2016 strategic plan which sought to strengthen the resilience and fundamentals of its business through more focused investments. The new strategic plan looks to be more or less a continuation of this broad theme with a focus now on growth and digital transformation to reduce costs and improve profitability. Part of this will involve rationalization of SG's branch network, a reduction in back office centres and automation of processes and a reduction in SG's workforce by 3,450 by 2020 (headcount reduction of 900 in addition to the previously announced 2,550). As such, SG expects to record exceptional charges of around EUR400mn (not including other exceptional charges) in 4Q2017 which will dent SG's full year profitability. Recent results for SG (refer to Asian Credit Daily – 06 Nov 2017) highlight the still challenging operating environment for European banks notwithstanding improving underlying fundamentals in the Eurozone economy and ultimately reinforce the need for a strategy to mitigate the challenges. While exceptionals (including litigation provisions) appear likely to continue to impact SG's results and profitability expected to be weaker as a result of its on-going restructuring, we get comfort from SG's capital ratios with its reported TLAC ratio of 21.6% as at 30 September 2017 above the 2019 minimum requirement of 19.5%. SG's issuer profile remains Neutral. (OCBC, Company)

OCBC Bank

Credit Headlines (Cont'd):

Soilbuild Business Space REIT ("SBREIT"): SBREIT announced that it is actively exploring investment opportunities in Australia. Per company, a geographical expansion would help SBREIT increase its pool of investment targets, provides access to assets with longer land tenures (eg: freehold), allow diversification of tenant base and strengthen its portfolio. This move is in line with what we have seen among other Industrial REITs in the Singapore market and we will assess SBREIT's credit profile impact if and when a transaction happens. (Company, OCBC)

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