

September 2, 2016

**Credit Headlines (Page 2 onwards):** The Wharf Holdings Ltd., Ascott Residence Trust

**Market Commentary:** The SGD dollar swap curve was range-bounded yesterday as investors stayed cautious ahead of August's US non-farm payroll results. Swap rates traded +/- 1bps across all tenors. Flows in the SGD corporates were moderate with better buying seen in NUSSP 1.81%'21s and mixed interests seen in BNP 4.3%'25s, NAB 4.15%'28s and OHLSP 5.1%'17s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 195bps while the yield on JACI HY corporates increased 5bps to 6.46%. 10y UST yield decreased 1bps to 1.57%.

**New Issues:** Transurban Group has scheduled investor meetings from 8 September onwards for potential USD bond issuance.

**Rating Changes:** S&P revised its outlook on China Jinmao Holdings Group Ltd.'s "BBB-" corporate credit rating to negative from stable. The revision followed the company's large land acquisitions this year, which were more aggressive than what S&P expected. The high land costs are likely to compress the company's margins over the next 12-24 months. Moody's downgraded STATS ChipPAC's corporate family rating to "B3" from "B2" with a negative outlook. The downgrade reflects the company's weak liquidity position and reliance on timely and significant financial support from its parent, JCET, which has not yet transpired. Moody's assigned a first time issuer rating of "A2" to Bank of Communications Financial Leasing Co. Ltd. with a negative outlook. The rating incorporates the company's standalone credit profile of "ba3" and a seven-notch uplift based on Bank of Communication Co. Ltd's implicit and explicit support. Moody's revised its outlook on Ascott REIT's "Baa3" issuer rating to negative from stable. The revision reflects the continued weakening of Ascott REIT's leverage profile, with adjusted debt/total deposited assets at around 46% as of 30 June, 2016, which exceeds the parameters for its "Baa3" ratings.

**Table 1: Key Financial Indicators**

	2-Sep	1W chg (bps)	1M chg (bps)		2-Sep	1W chg	1M chg
iTraxx Asiax IG	114	2	-8	Brent Crude Spot (\$/bbl)	45.85	-8.15%	9.69%
iTraxx SovX APAC	39	-2	-10	Gold Spot (\$/oz)	1,315.13	-0.46%	-3.55%
iTraxx Japan	50	-4	-7	CRB	178.21	-4.31%	0.50%
iTraxx Australia	100	1	-11	GSCI	341.87	-5.86%	3.33%
CDX NA IG	74	2	-3	VIX	13.48	-1.10%	0.82%
CDX NA HY	104	0	1	CT10 (bp)	1.570%	-5.98	1.40
iTraxx Eur Main	69	2	-2	USD Swap Spread 10Y (bp)	-13	1	-2
iTraxx Eur XO	314	7	-18	USD Swap Spread 30Y (bp)	-53	2	-7
iTraxx Eur Snr Fin	90	0	-8	TED Spread (bp)	51	0	1
iTraxx Sovx WE	25	0	1	US Libor-OIS Spread (bp)	38	2	3
iTraxx Sovx CEEMEA	109	0	-15	Euro Libor-OIS Spread (bp)	5	1	0
					2-Sep	1W chg	1M chg
				AUD/USD	0.755	-0.19%	-0.78%
				USD/CHF	0.980	-0.15%	-1.58%
				EUR/USD	1.120	0.03%	-0.20%
				USD/SGD	1.359	0.00%	-1.45%
Korea 5Y CDS	43	0	-7	DJIA	18,419	-0.16%	0.58%
China 5Y CDS	100	-1	-11	SPX	2,171	-0.07%	0.64%
Malaysia 5Y CDS	122	2	-23	MSCI Asiax	542	-0.31%	1.89%
Philippines 5Y CDS	89	3	-13	HSI	23,162	1.52%	4.67%
Indonesia 5Y CDS	149	7	-14	STI	2,816	-2.10%	-1.41%
Thailand 5Y CDS	84	1	-12	KLCI	1,671	-0.68%	0.62%
				JCI	5,335	-2.19%	-0.72%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
31-Aug-16	United Overseas Bank Ltd.	"NR/A2/A"	USD600mn	10-year	CT10+170bps
31-Aug-16	Far East Consortium International	"NR/NR/NR"	USD300mn	5-year	3.75%
31-Aug-16	Haikou Meilan International Airport	"NR/NR/NR"	USD200mn	3-year	5.25%
30-Aug-16	DBS Group Holdings	"NR/A3/BBB"	USD750mn	Perp-NC5	3.6%
30-Aug-16	Chongqing Western Modern Logistic	"NR/NR/BBB"	USD500mn	5-year	CT5+220bps
30-Aug-16	Road King Infrastructure	"BB-/B1/NR"	USD500mn	5-year	4.7%
30-Aug-16	Mitsubishi UFJ Lease & Finance	"A/A3/NR"	USD500mn	5-year	2.25%
30-Aug-16	BNP Paribas	"BBB+/Baa2/A"	AUD250mn	10-year	4.75%

Source: OCBC, Bloomberg

**Rating Changes (cont'd):** Moody's upgraded BRD – Groupe Societe Generale's (BRD) currency deposit ratings to "Baa3" from "Ba1" and revised its outlook to positive from stable. At the same time, the bank's baseline credit assessment (BCA) was also upgraded to "b1" from "b2". The upgrade of BRD's ratings reflects on-going improvements in the bank's asset quality, profitability, capital adequacy and funding structure.

## Credit Headlines:

**The Wharf Holdings Ltd ("Wharf"):** HKBN Ltd (listed on the HKSE) has reportedly submitted a bid to acquire Wharf's telecommunication assets. In March 2016, Wharf announced that it was conducting a strategic review of its media and telecom businesses ("CME"). In 1H2016, Wharf's telecommunications business made a profit before tax of HKD200mn, representing 2.4% of overall group profit before tax. The unprofitable i-CABLE business (1H2016: loss before tax HKD200mn) however dragged overall CME profits before tax to only HKD62mn in 1H2016. CME represented less than 1% of Wharf's profit before tax. In 1H2016, capital and development expenditure used for the CME business amounted to HKD244mn (around 1.4% of group total capital and development expenditure). If a deal is consummated, the likely sales proceeds from CME is credit neutral in our view. (Bloomberg, OCBC)

**Ascott Residence Trust ("ART"):** Moody's has lowered ART's outlook to Negative from Stable with ratings affirmed at Baa3. The negative outlook is premised on the continued weakening of ART's leverage profile. Based on Moody's calculation, ART's adjusted debt/total deposited assets (which assumes 50% of ART's perpetual as debt) was 46% as at 30 June 2016 and exceeded the parameters for its Baa3 ratings (more than Moody's 45% threshold). For ART, its perpetuums are fully treated as equity for accounting purposes and accorded the same treatment under MAS's REIT leverage rules. Moody's further added that if the acquisition for its New Cairnhill property is not done with a significant proportion of equity funding, ART's ratings will come under negative rating pressure. In mid-2012, ART had agreed to acquire the New Cairnhill Property for SGD405mn from its major shareholder CapitaLand (price tag agreed upfront). Construction of this property is on-going and it is expected to complete by the last quarter of 2017 (64% of payment to CapitaLand to happen within next 12 months). Given that ART is constrained on raising further straight debt, we see four possible outcomes if ART wishes to maintain its credit rating at investment grade (i) ART raising a mix of equity and perpetual (ii) raising straight equity (iii) replacing some existing straight debt with an upsized perp issuance and (iv) selling some assets. We think CapitaLand has sufficient financing to support the first two scenarios (if need be) and that the market for ART's equity has returned to more favourable conditions from mid-July. Any CapitaLand-supported deal though will be in effect a partial share payment for New Cairnhill. It is worth noting that the deal was originally envisaged to be fully satisfied in cash. Scenario (iii) will also be credit positive for ART's senior bonds but we see the likelihood as low to maintain unitholder's interest (iv) unlikely at this stage as ART is in growth mode. Net-net, we believe ART will continue to receive equity support and as such maintaining our Neutral issuer profile on the REIT. (Moody's, OCBC)

**Andrew Wong**

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

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Ezien Hoo, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@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 and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W