

September 22, 2016

**Credit Headlines (Page 2 onwards):** Genting Singapore PLC, Soilbuild Business Space REIT, Cambridge Industrial Trust

**Market Commentary:** The SGD dollar swap curve traded lower on the shorter end (<5Y) while range-bound on the longer end yesterday ahead of FOMC as investors speculated that the Federal Reserve would likely leave interest rates unchanged. Swap rates on the shorter end (<5Y) traded 2-4bps lower while the middle-to-long-end rates traded within +/-1bps with the exception of the 30Y swap rate that traded 2bps lower. Flows in the SGD corporates were heavy with mixed interests seen in GENSSP 5.13%'49s, ABNANV 4.7%'22s and FIRTSP 5.68%'49s. In the broader dollar space, the spread on JACI IG corporates and yield on JACI HY corporates remained relatively unchanged at 202bps and 6.50% respectively. 10y UST decreased 4bps to 1.65% following the Federal Reserve's decision to hold rates steady but indicated a higher likelihood of raising interest rates by year-end.

**New Issues:** China Great Wall Asset Management Corp has mandated banks for a USD bond issue.

**Rating Changes:** S&P placed PT Sri Rejeki Isman Tbk.'s "BB-" corporate credit rating on CreditWatch with negative implications following S&P's assessment on the credit implications for Sritex on the completion of a rayon plant by a related company. S&P has affirmed Investa Office Fund's (IOF) "BBB+" corporate credit and issuer ratings and removed the ratings from CreditWatch with developing implications as S&P viewed that IOF's ownership is no longer under any immediate pressure from corporate activity. S&P downgraded Alumina Ltd.'s corporate credit and issue ratings to "BB" from "BBB-" with a stable outlook. The downgrade was in view of the company's new joint-venture partner Alcoa Upstream Corp.'s credit quality, which is materially weaker than the previous "BBB-" rating on Alumina. Moody's upgraded Genting Singapore's issuer rating to "A3" from "Baa1" with a stable outlook. The upgrade reflects the company's excellent liquidity profile, with a history of remaining in a strong net cash position which has more than doubled since 2014.

**Table 1: Key Financial Indicators**

	22-Sep	1W chg (bps)	1M chg (bps)		22-Sep	1W chg	1M chg
iTraxx Asiax IG	120	7	8	Brent Crude Spot (\$/bbl)	47.05	0.99%	-4.29%
iTraxx Sovx APAC	31	-7	-12	Gold Spot (\$/oz)	1,334.02	1.47%	-0.38%
iTraxx Japan	60	6	2	CRB	184.86	2.99%	-1.19%
iTraxx Australia	108	8	7	GSCI	354.90	2.43%	-2.61%
CDX NA IG	78	4	7	VIX	13.3	-26.68%	8.39%
CDX NA HY	104	1	0	CT10 (bp)	1.651%	-4.65	7.30
iTraxx Eur Main	73	3	4	USD Swap Spread 10Y (bp)	-15	2	-1
iTraxx Eur XO	342	10	25	USD Swap Spread 30Y (bp)	-54	2	0
iTraxx Eur Snr Fin	100	8	7	TED Spread (bp)	58	7	6
iTraxx Sovx WE	23	-2	-2	US Libor-OIS Spread (bp)	43	1	4
iTraxx Sovx CEEMEA	84	-21	-32	Euro Libor-OIS Spread (bp)	5	2	-1
					22-Sep	1W chg	1M chg
				AUD/USD	0.765	1.73%	0.25%
				USD/CHF	0.973	-0.14%	-1.11%
				EUR/USD	1.119	-0.46%	-1.13%
				USD/SGD	1.352	0.87%	-0.08%
Korea 5Y CDS	41	0	-4	DJIA	18,294	1.44%	-1.27%
China 5Y CDS	105	4	3	SPX	2,163	1.76%	-0.89%
Malaysia 5Y CDS	125	4	7	MSCI Asiax	554	2.01%	1.92%
Philippines 5Y CDS	105	8	18	HSI	23,670	1.96%	2.92%
Indonesia 5Y CDS	146	2	8	STI	2,851	1.47%	0.34%
Thailand 5Y CDS	86	3	0	KLCI	1,659	-1.10%	-1.91%
				JCI	5,343	3.82%	-1.56%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Sep-16	Lippo Mall Trust	"NR/Baa3/NR"	SGD140mn	Perp-NC5	7%
20-Sep-16	Country Garden Holdings Co. Ltd.	"NR/Ba1/BB+"	USD650mn	7NC4	5%
20-Sep-16	Woori Bank	"BB+/Ba3/NR"	USD500mn	Perp-NC5	4.5%
16-Sep-16	Ascendas Hospitality Trust	"NR/NR/NR"	SGD70mn	6-year	3.325%
15-Sep-16	Transurban Group	"NR/Baa1/A-"	USD550mn	10-year	CT10+175bps
14-Sep-16	State Bank of India	"B+/B1/NR"	USD300mn	Perp-NC5	5.5%
14-Sep-16	Hon Hai Precision Industry Co. Ltd.	"A-/NR/NR"	USD600mn	5-year	CT5+110bps
14-Sep-16	Hon Hai Precision Industry Co. Ltd.	"A-/NR/NR"	USD400mn	10-year	CT10+140bps

Source: OCBC, Bloomberg

**Rating Changes (cont'd):** Fitch has downgraded Changchun Urban Development & Investment Holdings (Group) Co. Ltd.'s (CCDG) issuer default ratings to "BBB" from "BBB+" with a stable outlook following a review of Changchun Municipality. At the same time, Fitch also assigned a "BBB" rating to CCDG's USD400mn senior unsecured bond due March 2021.

## **Credit Headlines:**

**Genting Singapore PLC ("GENS"):** Given Moody's credit rating upgrade of GENS (we have held GENS's Issuer Profile at Positive since February 2015), we believe it to be worthwhile to recap some considerations which were not already mentioned in the Moody's report. 1) GENS was facing earnings pressure from impairments on its gaming receivables (credit extended to its VIP segment), which in recent times have normalized to levels management deem appropriate 2) GENS generated significant investment losses on financial instruments last year (deployment of part of its huge cash balance), which are unlikely to reoccur with GENS trimming the notional amounts sharply 3) uncertainty over the potential Japanese integrated resort investments (the Integrated Resorts Promotion Bill, which seeks to legalize casinos in Japan, look to be debated in the Japanese Diet during the session that starts late September). In aggregate though, we have retained our Positive Issuer Profile given GENS's sustained cash flow generation as well as pristine balance sheet. We will continue to hold the GENSSP'49s at Neutral, believing the perpetual security to be fully valued at current levels though existing positions will be supported by carry. (Company, OCBC)

**Soilbuild Business Space REIT ("SBREIT"):** SBREIT has released the results of its preferential offering to raise SGD59.4mn in straight equity. Proceeds from this offering will partially fund the Bukit Batok acquisition (to be acquired from Sponsor). At the close of the preferential offering on 19 September 2016, the valid acceptances and application for excess new units (including Sponsor's acceptances and applications) amounted to ~164.6mn (representing 174.4%) of the total number of new units offered in the preferential offering. The remainder of the Bukit Batok property will be funded via an unsecured banking facility. Given the conservative 40:60 debt-to-equity funding structure, we expect SBREIT's leverage to stay relatively constant post-acquisition (35.9% as at 30 June 2016). (Company, OCBC)

**Cambridge Industrial Trust ("CREIT"):** Warburg Pincus is reportedly seeking to buy the National Australia Bank's ("NAB") 56%-effective stake in the REIT manager of CREIT. In October 2015, both NAB and another REIT manager shareholder, namely Oxley Global Limited (24%-effective stake) were considering offers from interested parties. As both NAB and Oxley has been holding their stakes largely as a financial investment, we see a change of shareholding at the REIT management to be credit neutral if such shareholding merely transfers ownership to another financial investor. It has also been reported that instead of a third-party sale, a transaction could involve an internalization of management. While the REIT will likely need to bear the cost of acquisition, the overall credit impact can only be ascertained in conjunction with the transaction structure. We maintain our Neutral issuer profile on CREIT for now. (Australian Financial Review, OCBC)

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