

August 24, 2016

**Credit Headlines (Page 2 onwards):** Otto Marine Ltd., Semcorp Industries / Semcorp Marine, Perennial Real Estate Holdings, Henderson Land Development Co Ltd.

**Market Commentary:** The SGD dollar swap curve traded lower yesterday with swap rates trading 2-4bps lower across all tenors. Flows in the SGD corporates were heavy with better buying seen in SOCGEN 4.3%'26s and better selling seen in ABNANV 4.7%'22s. Meanwhile, we also saw mixed interests in GENSSP 5.13%'49s, UOBSP 4%'49s, GEMAU 5.5%'19s and SCISP 4.75%'49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 199bps while the yield on JACI HY corporates decreased 1bps to 6.37%. 10y UST yield remained levelled at 1.54%. All eyes are on Jackson Hole, awaiting Yellen's speech later this week.

**New Issues:** China Orient Asset Management (Intl) Holdings Ltd. has priced a USD650mn 5-year bond at CT5+138bps, tightening from its initial guidance at CT5+170bps. The expected issue ratings are "NR/Baa1/A". Hyundai Capital Services priced a USD400mn 3-year bond at CT3+82.5bps, tightening from its initial guidance at CT3+105bps. The expected issue ratings are "A-/Baa1/NR". Chongqing Western has scheduled investor meetings from today onwards for potential USD bond issuance. The expected ratings for the issue are "NR/NR/BBB".

**Rating Changes:** Moody's has upgraded Fortescue Metals Group Ltd.'s corporate family rating to "Ba2" from "Ba3". At the same time, Moody's also upgraded FMG Resources Pty. Ltd.'s senior secured and unsecured rating to "B1" and "Ba1" from "B2" and "Ba2" respectively. All ratings' outlook are stable. The upgrade reflects the considerable progress that the company has made in reducing its debt levels in FY2016 and Moody's expectation that it will continue to reduce debt further in FY2017.

**Table 1: Key Financial Indicators**

	24-Aug	1W chg (bps)	1M chg (bps)		24-Aug	1W chg	1M chg
iTraxx Asiax IG	112	-3	-9	Brent Crude Spot (\$/bbl)	49.96	1.48%	9.35%
iTraxx SovX APAC	42	-3	-7	Gold Spot (\$/oz)	1,337.77	-0.81%	1.69%
iTraxx Japan	54	-2	-4	CRB	188.38	0.93%	2.99%
iTraxx Australia	101	-3	-10	GSCI	367.03	1.07%	5.16%
CDX NA IG	71	0	-3	VIX	12.38	-2.06%	3.00%
CDX NA HY	105	0	1	CT10 (bp)	1.546%	-2.88	-2.05
iTraxx Eur Main	68	0	-1	USD Swap Spread 10Y (bp)	-15	-2	-6
iTraxx Eur XO	313	1	-8	USD Swap Spread 30Y (bp)	-55	-3	-12
iTraxx Eur Snr Fin	91	1	-2	TED Spread (bp)	55	0	14
iTraxx Sovx WE	24	0	-1	US Libor-OIS Spread (bp)	39	0	8
iTraxx Sovx CEEMEA	115	1	-14	Euro Libor-OIS Spread (bp)	5	0	0
					24-Aug	1W chg	1M chg
				AUD/USD	0.761	-0.54%	1.93%
				USD/CHF	0.964	-0.15%	2.32%
				EUR/USD	1.130	0.11%	2.78%
				USD/SGD	1.352	-0.65%	0.78%
Korea 5Y CDS	43	-2	-6	DJIA	18,547	-0.03%	-0.13%
China 5Y CDS	101	-4	-10	SPX	2,187	0.40%	0.55%
Malaysia 5Y CDS	118	-7	-22	MSCI Asiax	545	-0.12%	3.69%
Philippines 5Y CDS	86	-4	-17	HSI	22,999	0.38%	4.71%
Indonesia 5Y CDS	138	-6	-26	STI	2,850	-0.29%	-3.22%
Thailand 5Y CDS	83	-7	-10	KLCI	1,683	-0.99%	1.55%
				JCI	5,417	1.82%	4.23%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
23-Aug-16	China Orient Asset Management Holdings	"NR/Baa1/A"	USD650mn	5-year	CT5+138bps
23-Aug-16	Hyundai Capital Services	"A-/Baa1/NR"	USD400mn	3-year	CT3+83bps
22-Aug-16	Small and Medium Business Corp.	"NR/Aa2/AA-"	USD500mn	10-year	CT10+68bps
21-Aug-16	Modernland Realty Tbk PT	"B/B2/B"	USD57mn	3-year	CT3+108bps
21-Aug-16	British Columbia	"NR/NR/NR"	AUD100mn	10-year	2.5%
19-Aug-16	Chinalco Capital Holdings	"NR/NR/NR"	USD800mn	5-year	4%
16-Aug-16	Mapletree Commercial Trust	"NR/Baa1/NR"	SGD175mn	10-year	3.11%
16-Aug-16	China Aircraft Leasing Group Holdings Ltd.	"NR/NR/NR"	USD300mn	5-year	4.9%

Source: OCBC, Bloomberg

## Credit Headlines:

**Otto Marine Limited (“OTML”):** The circular regarding the delisting as well as the exit offer letter has been dispatched to shareholders (23/08/16). The EGM for approval of the delisting resolution will be held on 14/09/16. Subjected to the Delisting Proposal Conditions and the Minimum Acceptance Condition, the exit offer would remain open to shareholders till 30/09/16. Stirling Coleman Capital Limited is the advisor to the independent directors, and has declared that the financial terms of the exit offer are “fair and reasonable and not prejudicial to the interests of Independent Shareholders”. As such, the independent directors of OTML have recommended that shareholders either accept the exit offer, or sell their stake in OTML in the open market should they get an equal or higher price than the exit offer (net of expenses). The EGM resolution needs to be approved by 75% of votes (based on shares held, with Mr Yaw allowed to vote) as well as the resolution not being voted against by 10% or more of votes. Should the EGM resolution be passed, it should be noted that OTML will proceed with the delisting, regardless of the level of acceptance of the exit offer by minority shareholders. Note that there will be the mandatory redemption of the bonds within 14 days of the delisting date. (Company, OCBC)

**Sembcorp Industries / Sembcorp Marine (“SCI / SMM”):** SMM has announced that it will be acquiring the balance 15% in PPL Shipyard Pte Ltd that it does not already own for USD115.0mn. This is roughly the NTA of the stake, as of end-1H2016. The consideration will be paid in cash, and will be funded by internally generated funds and debt facilities. SMM had previously disclosed that it had delivered the Noble Lloyd Noble rig as well as some other platform projects in July 2016, and generated positive operating cash flow of SGD909mn. The cash generated could help fund the acquisition of the balance of PPL Shipyard Pte Ltd. (Company, OCBC)

**Perennial Real Estate Holdings (“PREH”):** It was reported that PREH had appointed JLL to be the marketing agent for an expression of interest for PREH’s stake in two floors of strata offices at AXA Tower (8 Shenton Way). The indicative price starts from SGD2,550 psf, with the strata office space offered totalling 25,500 sqft (~SGD65mn in proceeds). The expression of interest would end on 05/10/16, hence any transaction that may occur could be reflected only in 4Q2016 results. We note that PREH has on-going development commitments in China as well as uncertainty over its Capitol JV, balanced by liquidity from the sale of strata units from AXA Tower and TripleOne Somerset. (BT, OCBC)

**Henderson Land Development Co Ltd (“HLEND”):** HLEND reported a decline in 6 months revenue of 12% to HKD9.7bn (1H2015: HKD11bn) on the back of lower revenue from sale of properties in both Hong Kong and China. Excluding contribution from associates and joint ventures, the company’s Mainland China property development business resulted in a segmental loss of HKD5mn. Of HLEND’s 4 completed residential developments on the Mainland in 1H2016, 3 were located in cities where prices did not trend upwards significantly, despite stimulus measures. We believe HLEND’s performance in the Mainland Chinese property development sector reflects past inventory destocking at the company. HLEND’s Hong Kong property development business reported a lower margin of 29% from 33% in 1H2015. HLEND continues to be the largest owner of land in New Territories, with land reserves increasing somewhat to 45.2mn sq ft as at 30 June 2016. Rental income revenue was held steady while total pre-tax rental income (including those attributable to associates and joint ventures) improved 3.2% to HKD2.6bn. 37% of such rental income is attributable to HLEND’s 41% interest in the International Finance Centre (“IFC”) in Central. Including capitalized interest, HLEND’s finance cost reduced to HKD873mn from HKD903mn. Despite the higher proportionate contribution from property development activities (vis-à-vis other Hong Kong peers) and our expectation that property sales will remain soft, HLEND’s recurring rental income stream is able to cover around 2.9x of its finance cost. Taking away fair value gains from investment and development properties, HLEND reported PATAMI of HKD2.7bn (1H2016: HKD3.7bn). Leverage levels at HLEND remains commendable at 0.21x (31 December 2015: 0.20x). We continue to hold HLEND’s issuer profile at Neutral. (Company, OCBC)

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