

October 25, 2016

Credit Headlines (Page 2 onwards): Swissco Holdings Ltd., Mapletree Industrial Trust, GuocoLand Ltd., Mapletree Logistics Trust

Market Commentary: The SGD swap curve bull-flattened yesterday with swap rates trading 2-6bps lower across all tenors. Flows in the SGD corporates were moderate with better buying seen in BAERVX 5.75%'49s while mixed interests were seen in BNP 4.3%'25s and GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 207bps while the yield on JACI HY corporates decreased 2bps to 6.57%. 10y UST yield increased 3bps to 1.76% driven by supply dynamics.

New Issues: MTR Corp. Ltd. has priced a USD600mn 10-year green bond at CT10+80bps, tightening from its initial price guidance at CT10+95bps. The expected issue ratings are "AAA/Aa1/NR". Lippo Karawaci has priced a USD425mn 10NC5 bond at 6.75%, tightening from its initial price guidance at 7%. The expected issue ratings are "B+/Ba3/BB-". Standard Chartered PLC is set to price a 1-year Special Drawing Rights (SDR) bond of 100mn units tomorrow, to be settled the day after. Guangxi Communications Investment Group Corporation. Ltd. has scheduled investor meetings on Oct 25-26 in Hong Kong for a potential USD bond with expected ratings of "NR/Baa3/BBB".

Rating Changes: S&P downgraded PT Sri Rejeki Isman Tbk. (Sritex)'s corporate credit rating to "B+" from "BB-" with a stable outlook. The rating action reflects S&P's belief that the debt-funded expansion at its sister company PT Rayon Utama Makmur could translate into rising event risk at Sritex, amid rising operational linkages. S&P has placed China United SME Guarantee Corp.'s "BB+" insurer financial strength and issuer credit ratings on CreditWatch with negative implications. The CreditWatch placement reflects S&P's view that Sino Guarantee's increasing investments in high-risk asset classes could weaken its capitalization.

Table 1: Key Financial Indicators

	25-Oct	1W chg (bps)	1M chg (bps)		25-Oct	1W chg	1M chg
iTraxx Asiax IG	115	-3	-7	Brent Crude Spot (\$/bbl)	51.52	-0.31%	12.27%
iTraxx SovX APAC	34	-1	1	Gold Spot (\$/oz)	1,262.47	0.00%	-5.64%
iTraxx Japan	56	1	-2	CRB	189.44	0.02%	3.46%
iTraxx Australia	103	-2	-1	GSCI	374.95	0.09%	6.66%
CDX NA IG	74	-1	-5	VIX	13.02	-19.68%	5.94%
CDX NA HY	105	0	0	CT10 (bp)	1.767%	2.86	14.81
iTraxx Eur Main	70	-2	-2	USD Swap Spread 10Y (bp)	-17	0	-1
iTraxx Eur XO	317	-14	-16	USD Swap Spread 30Y (bp)	-57	0	-2
iTraxx Eur Snr Fin	92	-7	-8	TED Spread (bp)	56	-4	-10
iTraxx Sovx WE	19	0	-5	US Libor-OIS Spread (bp)	39	-3	-3
iTraxx Sovx CEEMEA	93	-2	4	Euro Libor-OIS Spread (bp)	4	0	0
					25-Oct	1W chg	1M chg
				AUD/USD	0.761	-0.80%	-0.41%
				USD/CHF	0.994	-0.44%	-2.52%
				EUR/USD	1.087	-1.01%	-3.41%
				USD/SGD	1.394	-0.57%	-2.38%
Korea 5Y CDS	40	-1	-2	DJIA	18,223	0.76%	-0.21%
China 5Y CDS	105	-2	0	SPX	2,151	1.17%	-0.62%
Malaysia 5Y CDS	121	-3	-9	MSCI Asiax	554	0.80%	-0.99%
Philippines 5Y CDS	114	-5	-2	HSI	23,604	1.60%	-0.35%
Indonesia 5Y CDS	150	-4	-7	STI	2,857	1.41%	-0.01%
Thailand 5Y CDS	96	-4	7	KLCI	1,678	1.45%	0.41%
				JCI	5,421	0.20%	0.60%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
24-Oct-16	MTR Corp. Ltd.	"AAA/Aa1/NR"	USD600mn	10-year	CT10+80bps
24-Oct-16	Lippo Karawaci	"B+/Ba3/BB-"	USD425mn	10NC5	6.75%
21-Oct-16	Delhi International Airport	"BB/Ba2/NR"	USD523mn	10-year	6.125%
20-Oct-16	China Great Wall International	"NR/Baa1/BBB+"	USD800mn	5-year	CT5+145bps
20-Oct-16	China Great Wall International	"NR/Baa1/BBB+"	USD700mn	3-year	CT3+135bps
20-Oct-16	ICBC, Sydney Branch	"A/NR/NR"	CNH1.2bn	2-year	3.65%
19-Oct-16	Saudi Arabia	"NR/A1/AA-"	USD5.5bn	5-year	CT5+135bps
19-Oct-16	Saudi Arabia	"NR/A1/AA-"	USD5.5bn	10-year	CT10+165bps
19-Oct-16	Saudi Arabia	"NR/A1/AA-"	USD6.5bn	30-year	CT30+210bps

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's has assigned a "Baa3" issuer rating to Guangxi Communications Investment Group Corp. Ltd. (GXCI) with a stable outlook. GXCI's "Baa3" issue rating combines its baseline credit assessment (BCA) of "b1", and a four-notch uplift based on Moody's expectation of high support for the company from Guangxi Provincial government under Moody's joint-default analysis approach for government-related issuers. Fitch has also assigned Guangxi Communications Investment Group Corporation. Ltd. (GXCI) issue default ratings of "BBB" with stable outlook

Credit Headlines:

Swissco Holdings Ltd. ("SWCH"): The media has reported on some tentative terms which SWCH has disclosed to bondholders during the informal bondholder's meeting yesterday. These terms have not yet been publicly filed with the SGX. The key term to the proposal is SWCH seeking to haircut bondholders down from a face value of ~USD75mn (SGD100mn) to ~USD11mn. This would be a haircut of over 85%, and much more aggressive than Rickmers Maritime Trust ("RMT")'s initial proposal for a 72% haircut (which RMT subsequently sweetened). The restructured bond will also face a lower coupon, as well as have its maturity extended to December 2020. In exchange for the restructuring of the bond, SWCH has proposed for the ~USD65mn notional amount be equitized into common shares of SWCH. No details regarding the percentage that bondholders would hold in SWCH post restructuring have been disclosed. With regards to operations, SWCH has declared that all seven drilling rigs which SWCH has exposure to are unemployed. As these rigs are burning cash (due to the costs of warm stacking them), SWCH intends to scrap all seven of them (though it should be noted that 3 are JV rigs with Ezion Holdings while 2 others are partially owned by preferred shareholders). Post the operational restructuring, SWCH will only have the two accommodation rigs, its fleet of 35 OSVs as well as a recently delivered liftboat left in terms of operational assets. It was reported that SWCH currently has a debt standstill from bank lenders regarding debt repayment until December 2016, by which time SWCH hopes to restructure its bonds. It should be noted that SWCH reported USD260mn in borrowings (of which bonds are ~USD75). As SWCH is seeking to reduce total borrowings to ~USD80.7mn, this would imply that SWCH is seeking to impair bank lenders (which are likely secured) by about ~USD115mn as well. It was reported that SWCH has seven bank lenders, with UOB highlighted as a major lender. It was reported as well that the banks have yet to endorse the entitled proposal. One of the next steps which SWCH hopes to take would be to hold an EGM for shareholder approval over the conversion of bonds into common shares. It should be noted that SWCH's chairman apparently made comments such as "Noteholders must understand that they will get zero if they do not come on board". We consider the tentative terms to be extremely onerous, and will update accordingly when the details are finally disclosed. (Business Times, The Straits Times, OCBC)

Mapletree Industrial Trust ("MINT"): MINT reported its financial results for 2QFY2017 earlier today. Gross revenue increased 1.8% to SGD84.2mn in 2QFY2017 (2QFY2016: SGD82.7mn). On a half-yearly basis, gross revenue increased 2.4% to SGD168.3mn in 1HFY2017 (1HFY2016: SGD164.4mn), mainly driven by higher rental rates achieved across all property segments and higher occupancies achieved in the Hi-Tech Buildings. Notably, Phase One of the BTS development for Hewlett-Packard has been completed in which the revenue contribution as MIT's largest tenant will help to mitigate the negative impact of the weak Singapore industrial market on the portfolio. As a result of lower property maintenance, utilities and property taxes, net property income ("NPI") increased to SGD127.4mn in 1HFY2017, 4.3% (or SGD2.6mn) higher as compared to the previous half-year result (1HFY2016: SGD121.2mn). EBITDA / Gross Interest declined slightly to 8.5x from 8.8x in the previous corresponding quarter although on a half-yearly basis, the ratio improved to 8.6x in 1HFY2017 (1HFY2016: 8.4x). Aggregate leverage remained relatively stable at 29% whilst all debt at the REIT remains unsecured. Portfolio occupancy continued to decline on a quarterly basis to 92.5% (1QFY2017: 93%), mostly driven by the decline in occupancies in Business Park Buildings and Stack-Up/Ramp-Up Buildings. On a side note, following the completion of Phase One development of Hewlett-Packard, the second Phase is on track for completion in the second quarter of 2017. MINT's asset enhancement initiatives at Kallang Basin 4 cluster is also on track for completion in 1Q2018. Going forward, MINT's current low aggregate leverage of 29% will continue to provide MINT with financial flexibility for growth opportunities. We maintain MINT at a Neutral Issuer Profile. (Company, OCBC)

Credit Headlines:

GuocoLand Ltd. (“GUOL”): GUOL reported 1QFY17 results. Revenue fell 54% y/y due to absence of contribution from the sale of an office block in Shanghai Guoson Centre a year ago. Net profit fell 95% y/y, mainly due to absence of divestment gains related to the Dongzhimen project a year ago. We are not overly concerned over the large y/y declines, as revenues only inched down 5.5% q/q without the one-offs. In the longer-term, we are looking forward to better results. We expect higher contributions from the Tanjong Pagar Centre in 2HFY17, as the completion is expected sometime in early 2017. Already, the office component was 80% committed as of Oct 2016, which we expect may contribute c.SGD20mn to rental income per quarter. We also expect contribution from the 222-room Sofitel Singapore City Centre and the 100,000 sqft from the retail component, which is more than 75% committed. However, after Tanjong Pagar comes on stream, we expect net gearing to deteriorate in the medium-term as capex is likely to increase. Already, net gearing has increased from 0.70x as of 4QFY16 to 0.84x as of 1QFY17, mainly due to the SGD595.1mn acquisition of a residential site at Martin Place on 1 Jul 2016. C.SGD100mn will also be paid in dividends, as GUOL declared higher dividends of 9 S cts per share. Meanwhile, private residential property prices continued to fall, which may pressure sales of the remaining units at Leedon Residence and Wallich Residence, which is expected to be launched in early 2017. We maintain GUOL at a Neutral Issuer Profile due to a mixed outlook with a higher recurring income base and expectations that net gearing would rise. (Company, OCBC)

Mapletree Logistics Trust (“MLT”): MLT’s 2Q2017 were on trend with results reflecting recent acquisitions and redevelopments which contributed to gross quarterly and first half revenue up 4.7% and 5.0% y/y respectively. The acquisitions in FY2016 and 1HFY2017 (Australia, Malaysia, and Vietnam) and redevelopments (Singapore and Japan) brought MLT’s total property portfolio to 124 properties from 118 properties at the start of FY2017 and compensated for lackluster operating conditions in Singapore (including the redevelopment of 76 Pioneer Road and divestments). That said, MLT managed to marginally increase overall portfolio occupancy to 96.4% as at 1HFY2017 (up from 95.4% in 1QFY2017) and renew or replace two thirds of leases due for renewal in FY2017 with average positive rent reversion of ~2% for leases renewed or replaced in 2QFY2017. MLT’s weighted average lease expiry by net lettable area is now 4.1 years. Net property income (“NPI”) growth was consistent with revenue growth owing to moderate growth in operating expenses with NPI growth of 5.3% y/y and 2.1% q/q respectively. MLT’s financial position remains more or less unchanged from the previous quarter although aggregate leverage was slightly higher at 37.6% as at 30 September 2016 (35.7% as at 30 June 2016) due to additional debt drawn down during the quarter for acquisition funding as well as currency translation impacts from stronger AUD and JPY. Factoring in perpetual distributions, EBITDA/(Gross interest plus perpetual distribution) reduced to 3.5x in 2QFY2017 (2QFY2016: 4.2x). Average debt duration of 3.5 years (subsequently improved to 3.7 years post quarter end following further refinancing) and average debt cost of 2.3% remain stronger than peer averages. Overall, MLT’s business and financial metrics remain sound and we maintain our Neutral issuer profile on MLT. (Company, OCBC)

Andrew Wong

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

Nick Wong Liang Mian, CFA

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

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@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