

September 26, 2016

Credit Headlines (Page 2 onwards): Mapletree Logistic Trust, Starhill Global REIT, Otto Marine Limited, Swissco Holdings Limited, Industry Outlook – China Property

Market Commentary: The SGD dollar swap curve traded downwards last Friday with swap rates trading 2-7bps lower across all tenors with the exception of the overnight swap rate which increased ~7bps. Flows in the SGD corporates were heavy with better buying seen in SANYPH 7%'17s and better selling seen in FCLSP 4.88%'49s and SCISP 4.75%'49s. Meanwhile, mixed interests were also seen in GENSSP 5.13%'49s and LMRTSP 7%'49s. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 202bps while the yield on JACI HY corporates decreased 3bps to 6.40%. 10y UST yield remained relatively unchanged at 1.62%.

New Issues: China South City has priced a USD150mn 5-year bond at 6.75% (to yield 7%). The expected issue ratings are “B-/NR/B”. Jiangsu Fang Yang has priced a USD200mn 3-year bond at 5.35%, tightening from its initial price guidance at 5.5%. The expected ratings for the issue are “NR/NR/BB”. China Cinda Asset Management Co. Ltd. has priced USD3.5bn perpetual, non-callable for 5 years AT1 preference shares at 4.45%, tightening from its initial price guidance at 4.5%. The expected ratings for the issue are “NR/B1/NR”. Jubilant Pharma, China Citic Bank International, RHB Bank and Television Broadcasts Ltd. have scheduled investor road shows from today onwards for potential USD bond issuances. Starhill Global REIT has priced a SGD70mn 10-year bond at 3.14%.

Rating Changes: S&P has placed Baoshan Iron & Steel Co. Ltd. and Bao-Trans Enterprises Ltd. on CreditWatch with negative implications. The rating action was in view of the negative financial and business implications from the proposal by Baoshan Iron & Steel to absorb Wuhan Iron & Steel, a core subsidiary of Wuhan Iron & Steel Group (WISCO). WISCO's high debt burden is likely to hurt the combined group's financials. Additionally, its relatively weak product portfolio and operating efficiency are also likely to weaken Baosteel Group's strong competitive position and profitability.

Table 1: Key Financial Indicators

	26-Sep	1W chg (bps)	1M chg (bps)		26-Sep	1W chg	1M chg
iTraxx Asiax IG	118	8	6	Brent Crude Spot (\$/bbl)	46.33	0.83%	-7.19%
iTraxx Sovx APAC	31	-7	-9	Gold Spot (\$/oz)	1,339.00	1.97%	1.35%
iTraxx Japan	57	5	4	CRB	183.10	1.28%	-1.62%
iTraxx Australia	102	4	3	GSCI	351.53	0.98%	-3.18%
CDX NA IG	77	2	5	VIX	12.29	-20.04%	-9.96%
CDX NA HY	105	1	0	CT10 (bp)	1.615%	-9.69	-1.47
iTraxx Eur Main	71	2	3	USD Swap Spread 10Y (bp)	-16	1	-2
iTraxx Eur XO	325	-1	18	USD Swap Spread 30Y (bp)	-54	1	0
iTraxx Eur Snr Fin	97	4	7	TED Spread (bp)	69	11	16
iTraxx Sovx WE	24	-1	-1	US Libor-OIS Spread (bp)	43	1	6
iTraxx Sovx CEEMEA	86	-14	-23	Euro Libor-OIS Spread (bp)	4	-1	-1
					26-Sep	1W chg	1M chg
				AUD/USD	0.763	1.21%	0.81%
				USD/CHF	0.969	1.11%	0.91%
				EUR/USD	1.124	0.55%	0.34%
				USD/SGD	1.358	0.24%	0.06%
Korea 5Y CDS	40	1	-3	DJIA	18,261	0.76%	-0.73%
China 5Y CDS	105	7	4	SPX	2,165	1.19%	-0.20%
Malaysia 5Y CDS	125	7	5	MSCI Asiax	559	1.70%	2.79%
Philippines 5Y CDS	107	11	21	HSI	23,686	1.50%	3.39%
Indonesia 5Y CDS	148	7	6	STI	2,857	1.04%	-0.02%
Thailand 5Y CDS	85	4	2	KLCI	1,671	1.09%	-0.72%
				JCI	5,389	2.30%	-0.92%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
23-Sep-16	China South City	“B-/NR/B”	USD150mn	5-year	7%
23-Sep-16	Jiangsu Fang Yang	“NR/NR/BB”	USD200mn	3-year	5.35%
23-Sep-16	China Cinda Asset Management Co. Ltd.	“NR/B1/NR”	USD3.2bn	Perp-NC5	4.45%
23-Sep-16	Starhill Global REIT	“NR/NR/NR”	SGD70mn	10-year	3.14%
22-Sep-16	UOL Treasury Services Pte. Ltd.	“NR/NR/NR”	SGD240mn	4-year	2.5%
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%

Source: OCBC, Bloomberg

Rating Changes (cont'd): S&P upgraded ACOM Co. Ltd.'s counterparty credit ratings to "BBB" from "BBB-" with a negative outlook as ACOM's business and revenue become more stable thanks to improved business conditions. Moody's affirmed Barminco Holdings Pty. Ltd.'s corporate family rating at "B2" and revised its outlook to positive from negative. The positive outlook on Barminco's rating reflects the company's improved credit profile, underpinned by reduced debt levels and higher earnings from new contract wins. Moody's has assigned Bank of Suzhou Co. Ltd. with "Ba2" issuer and deposit ratings, a "ba3" baseline credit assessment (BCA) and Adjusted BCA, as well as a "Ba1" Counterparty Risk Assessment. All ratings outlooks are stable. The issuer ratings and deposit ratings reflect the bank's BCA of "ba3" and one-notch uplift based on Moody's assumption of a moderate level of government support. Moody's affirmed Ausdrill Limited's corporate family rating at "B1" and revised its rating outlook to positive from negative. The positive outlook reflects the improvement in the company's credit quality, due to considerable reduction in its debt, the turnaround of its operations that are now generating strong cash flows, and expectations of further earnings growth from new contracts. Moody's downgraded Alcoa of Australia Ltd. (AoA)'s rating to "Baa3" from "Baa2", and placed it on review for downgrade. The rating downgrade and further review reflects Moody's expectation that the credit profile of its majority shareholder (Alcoa Inc.) will be weakened following the decision to separate its entity into Alcoa Upstream Corporation and Arconic.

Credit Headlines:

Mapletree Logistics Trust ("MLT"): MLT announced that it has entered into an agreement with its Sponsor to acquire a Vietnam-based property for ~SGD21mn. The property is located in the Vietnam-Singapore Industrial Park II, Binh Duong Province. The transaction was completed on 23 September 2016 (whilst this is an interested party transaction, the aggregate value of transactions with Sponsor falls below the threshold required for unitholder approval thus far). Given the small scale against MLT's asset base as at 30 June 2016 of SGD5.3bn and the visibility on funding source, we see the transaction as credit neutral. (Company, OCBC)

Starhill Global REIT ("SGREIT"): SGREIT priced a SGD70mn 10Y bond on 23/09/16 at a coupon of 3.14% (116bps above 10Y SDSW). S&P has reiterated its "BBB+" rating with a stable outlook on SGREIT. SGD55mn of the proceeds will be used for refinancing existing debt, while SGD15mn will be used for working capital. As the proceeds are largely used for refinancing, we expect SGREIT's aggregate leverage to remain largely unchanged (last reported 35.0% of end-June 2016). Currently, SGREIT only has ~SGD16mn of debt due over the next twelve months. There would be large maturities coming in the fiscal year ending June 2018 though, consisting of SGD250mn in unsecured term loans and AUD145mn of secured term loans. These were 3Y facilities raised in 2014, in part to finance SGREIT's acquisition of Myer Centre Adelaide. The new bonds look to be issued at fair value, trading largely in line with SGREIT's existing curve. (Company, OCBC)

Otto Marine Limited ("OTML"): OTML's stock will be suspended this morning (26/09/16), as directed by the SGX, so that investors will not be able to trade the stock and instead consider tendering the shares (closing date for the exit offer is this Friday). Stock will be delisted between 4 - 6 weeks after the completion of the exit offer, with mandatory redemption of the bonds to occur within 14 days of the delisting. As such, the bonds should be redeemed by end-November. On a side note, there is news that trade creditors are seeking to wind-up Otto Marine's Australian subsidiaries. The total sums involved are ~AUD780k, with OTML planning to dispute the debt. (Company)

Credit Headlines:

Swissco Holdings Limited ("SWCH"): One of SWCH's supplier's, X-Drill, has commenced legal proceedings in the US against four companies in the SWCH group: Supreme Excellence 1 ("SE1", 50% owned), Supreme Excellence 2 ("SE2", 100% owned), Supreme Excellence 3 ("SE3", 100% owned) and Supreme Excellence 4 ("SE4", 50% owned). These entities currently hold the 4 rigs which SWCH purchased from Ensco in 2014. X-Drill had provided stacking and other services to rigs owned by these four entities. The claims from X-Drill total SGD1.85mn. SWCH disputes the claims and is consulting legal advisors, while continuing to engage X-Drill in discussions. (Company)

Industry Outlook – China Property: 64 cities out of 70 key cities monitored by the National Bureau of Statistics ("NBS") reported month-on-month price increases. This indicates that housing price increases have spread to more lower-tier cities. On Sunday, the Nanjing government announced fresh measures in an attempt to control housing prices: (i) non-residential households are curbed from buying more than one house in the core Nanjing city area and (ii) residential-households owning more than two houses are disallowed from buying additional ones. This move comes on the back of measures put in place by Zhengzhou and Hangzhou to moderate housing prices. Zhengzhou is targeting to control prices from the supply side while Hangzhou has restricted non-residential households from buying more than one house in certain locales. The latest moves by Nanjing and Hangzhou are seen as attempts to restrict "hot money flows" from non-residents which has helped pushed up prices in these cities. OCBC's Greater China Research team views that the recent increase of housing prices is not the result of a return of confidence in the economic outlook, but rather it is due to the lack of investment channels and tight capital controls. Nevertheless, we see such policy moves to have a manageable impact on YLLGSP 6.2% '17s and CENCHI 6.5% '17s given the short term tenure of the bonds (8 months to maturity). (Xinhua, 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

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