

November 4, 2016

Credit Headlines (Page 2 onwards): Genting Singapore PLC

**Market Commentary:** The SGD swap curve traded downwards yesterday as the US dollar fell amidst growing concerns of a heightened possibility of a Trump Presidency as the presidential polls continue to tighten over the last few days. Swap rates traded 1-3bps lower across all tenors. Flows in the SGD space were moderate with two-way flows seen in SOCGEN 4.3%'26s, TRAFIG 7.5%'49s and ABNANV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 206bps while the yield on JACI HY corporates increased 5bps to 6.6%. 10y UST yield increased 1bps to 1.81%.

**New Issues:** Bank of China Ltd. priced a USD500mn 3-year bond at CT3+95bps, tightening from its initial guidance at CT3+115bps. The expected issue ratings are "NR/Aa3/NR". Huishang Bank Corp. Ltd. has priced a USD888mn AT1 perpetual bond, non-callable for 5-year at 5.5%, tightening from its initial guidance at 5.75%. Suqian Economic Development Co. has launched a USD200mn 3-year bond with initial price guidance at 5.6% with expected issue rating of "NR/NR/BB". The bond is expected to be price later today. Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd. has scheduled investor meetings in Hong Kong, Singapore and London from today for a potential USD bond issue.

**Rating Changes:** S&P assigned a "BBB-" corporate credit rating to Gansu Provincial Highway Aviation Tourism Investment Group Co. Ltd. (Gansu Highway) with a stable outlook. The rating assignment reflects S&P's expectation that Gansu Highway has an almost certain likelihood of receiving extraordinary support from the Gansu provincial government if needed. Hence the rating on the company is driven by the government's creditworthiness.

Table 1: Key Financial Indicators

	4-Nov	1W chg (bps)	1M chg (bps)		4-Nov	1W chg	1M chg
iTraxx Asiax IG	119	2	1	Brent Crude Spot (\$/bbl)	46.35	-8.16%	-8.92%
iTraxx SovX APAC	36	2	3	Gold Spot (\$/oz)	1,302.45	2.12%	2.68%
iTraxx Japan	57	1	1	CRB	183.38	-3.51%	-2.09%
iTraxx Australia	107	4	4	GSCI	352.29	-5.74%	-4.12%
CDX NA IG	81	3	5	VIX	22.08	43.75%	62.00%
CDX NA HY	103	-1	-1	CT10 (bp)	1.808%	-3.88	12.16
iTraxx Eur Main	75	3	1	USD Swap Spread 10Y (bp)	-14	0	1
iTraxx Eur XO	336	6	1	USD Swap Spread 30Y (bp)	-55	-1	-1
iTraxx Eur Snr Fin	99	3	-4	TED Spread (bp)	51	-6	-7
iTraxx Sovx WE	19	0	-3	US Libor-OIS Spread (bp)	38	-1	-4
iTraxx Sovx CEEMEA	92	2	1	Euro Libor-OIS Spread (bp)	4	0	0
					4-Nov	1W chg	1M chg
				AUD/USD	0.769	1.20%	0.92%
				USD/CHF	0.975	1.40%	0.46%
				EUR/USD	1.110	1.04%	-0.94%
				USD/SGD	1.384	0.55%	-0.96%
Korea 5Y CDS	45	3	4	DJIA	17,931	-1.32%	-1.31%
China 5Y CDS	112	8	7	SPX	2,089	-2.08%	-2.88%
Malaysia 5Y CDS	129	5	8	MSCI Asiax	535	-1.60%	-4.24%
Philippines 5Y CDS	117	2	-2	HSI	22,684	-1.94%	-4.25%
Indonesia 5Y CDS	160	6	7	STI	2,802	-0.95%	-2.86%
Thailand 5Y CDS	96	1	11	KLCI	1,648	-1.26%	-0.79%
				JCI	5,330	-1.61%	-2.61%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
3-Nov-16	Bank of China Ltd.	"NR/Aa3/NR"	USD500mn	3-year	CT3+95bps
3-Nov-16	Huishang Bank Corp.	"NR/NR/NR"	USD888mn	Perp-NC5	5.5%
1-Nov-16	Wuhan Metro Group Co. Ltd.	"NR/NR/A"	USD290mn	3-year	CT3+180bps
1-Nov-16	Central China Real Estate	"B+/Ba3/NR"	USD200mn	5NC3	6.75%
31-Oct-16	Chalco Hong Kong Investment Co. Ltd.	"NR/NR/BBB"	USD500mn	Perp-NC5	4.25%
31-Oct-16	Shangxi Road & Bridge Construction	"BB/NR/NR"	USD250mn	3-year	4.85%
31-Oct-16	Beazley PLC	"NR/NR/BBB+"	USD250mn	10-year	CT10+402.5bps
27-Oct-16	Guangxi Communications Group Corp.	"NR/Baa3/BBB"	USD300mn	3-year	CT3+202.5bps
27-Oct-16	Li & Fung Ltd.	"BBB-/Baa3/NR"	USD650mn	Perp-NC5	5.25%

Source: OCBC, Bloomberg

## Rating Changes (cont'd):

Moody's revised its ratings outlook on Nanyang Commercial Bank Ltd. to stable from negative. The outlook revision follows the same change in the rating outlook of its parent, China Cinda Asset Management. The stable outlook reflects the considerations that: 1) the bank does not face immediate pressure on its Baseline Credit Assessment (BCA); 2) indirect China government support flowing through its parent is unlikely to change over the medium term and; 3) the bank's rating is resilient to a hypothetical downgrade scenario in which China's sovereign rating is downgraded by one notch. Fitch has placed Deutsche Bank AG's (DB) "A" issuer default rating on Rating Watch Negative. The rating actions reflects Fitch's view that the challenges posed by a sluggish business environment, particularly in Europe but also in Asia Pacific, will make it harder for DB to build revenue and, therefore, capital during 2017 in line with its 2020 strategy.

## Credit Headlines:

**Genting Singapore PLC ("GENS"):** GENS reported its 3Q2016 results yesterday. Gross revenue fell 9% y/y to SGD581.5mn (3Q2015: SGD636.1mn). This was largely driven by the gaming segment which contributed ~70% of GENS's 3Q2016 gross revenue, but fell 10% y/y to SGD407.4mn (3Q2015: 451.8mn). However, the group reported adjusted EBITDA of SGD233.6mn, a 12% increase on a y/y basis (3Q2015 Adjusted EBITDA: SGD209.2mn) as gross margin improved from 29.5% (3Q2015) to 36.9% (3Q2016). Notably, on a quarter-on-quarter basis, the group's Adjusted EBITDA doubled (2Q2016: SGD116.1mn). For Resort World Sentosa ("RWS"), its results were healthy amidst a challenging operating environment. On a quarter-on-quarter basis, RWS revenue increased by 21% from favourable performance of the attractions and hotel business, as well as improved VIP rolling win percentage. Hotel occupancy across all hotels maintained a strong occupancy level of over 92%. RWS's adjusted EBITDA doubled as a result of increased revenue, improvement in operating margins arising from cost efficiency initiatives implemented last quarter, as well as lower impairment of trade receivables. The Group's impairment on trade receivables decreased significantly to SGD50.2mn in 3Q2016 as compared to 3Q2015 at SGD92.5mn. This contributed to the stronger operating profit seen in 3Q2016, amounting SGD182.2mn, a 59% increase over the previous year (3Q2015: SGD114.7mn). Operating cash flow remains strong at SGD330.0mn (including interest expense) for the quarter, a 15.7% improvement over the previous quarter (2Q2016: 285.2mn). During the period, GENS made a significant redemption on its bank borrowings, amounting to SGD387.5mn and paid out approximately SGD46.5mn for perpetual securities. As such, its cash balance fell to SGD4.78bn. Currently, GENS has about SGD1.2bn in debt and SGD2.3bn in perpetual securities. We will continue to hold GENS at Positive Issuer Profile given its strong operating cash flow generation over recent quarters. (Company, OCBC)

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