

December 6, 2016

**Credit Headlines (Page 2 onwards):** Ascendas REIT, Sabana Shari'ah Compliant Industrial REIT

**Market Commentary:** The SGD swap curve traded downwards yesterday as swap rates mostly traded 2-5bps lower across all tenors with the exception of the 10y swap rate that traded ~10bps lower. Flows in the SGD corporates were relatively quiet. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 200bps while the yield on JACI HY corporates was steady at 6.92%. 10y UST yield increased 2bps to 2.40%.

**New Issues:** Zhenjiang Transportation Industry Group Co. launched a USD160mn 3-year bond at 5.5%, tightening from its initial guidance at 5.75%. The expected issue ratings are "BB/NR/NR". China Minsheng Banking has scheduled investor road shows on 6 December for a potential USD AT1 bond issue. Changde Urban Construction & Investment Group Co. Ltd. has scheduled investor road shows from 6 December for a potential USD bond issue with expected issuer ratings of "NR/NR/BBB-". Danyang Investment has scheduled investor road shows from 6 December for a potential USD bond issue. L.R. Capital has scheduled investor meetings from 5 December onwards for a potential USD bond issue.

**Rating Changes:** S&P revised its outlook on Sumitomo Life Insurance Co.'s "A" financial strength rating to stable from positive. The stable outlook reflects S&P's view that Sumitomo Life's capital and earnings will continue to improve but stay in the upper adequate range for FY2016 – 2018. Additionally, the stable outlook also reflects S&P's view that Sumitomo Life will maintain a very strong competitive position in the Japanese life insurance market. Moody's affirmed Shanghai International Port (Group) Co. Ltd.'s (SIPG) "A1" issuer rating with a negative outlook. The rating affirmation balanced the increase in financial leverage arising from the debt-funded investment in Postal Savings Bank of China Co. Ltd., and Moody's expectations that SIPG will receive support from the Shanghai government and the central government if needed.

**Table 1: Key Financial Indicators**

	6-Dec	1W chg (bps)	1M chg (bps)		6-Dec	1W chg	1M chg
iTraxx Asiax IG	123	-3	8	Brent Crude Spot (\$/bbl)	54.94	13.89%	20.54%
iTraxx Sovx APAC	41	-3	5	Gold Spot (\$/oz)	1,172.22	-1.35%	-8.54%
iTraxx Japan	56	1	-1	CRB	193.48	3.04%	6.01%
iTraxx Australia	108	-1	3	GSCI	390.18	5.34%	11.77%
CDX NA IG	72	-2	-5	VIX	12.14	-7.68%	-46.07%
CDX NA HY	105	1	1	CT10 (bp)	2.389%	9.76	61.24
iTraxx Eur Main	78	-2	4	USD Swap Spread 10Y (bp)	-16	1	-2
iTraxx Eur XO	326	-13	-1	USD Swap Spread 30Y (bp)	-54	1	1
iTraxx Eur Snr Fin	108	1	11	TED Spread (bp)	48	4	-3
iTraxx Sovx WE	24	0	4	US Libor-OIS Spread (bp)	32	-1	-6
iTraxx Sovx CEEMEA	98	-2	7	Euro Libor-OIS Spread (bp)	4	0	0
					6-Dec	1W chg	1M chg
				AUD/USD	0.746	-0.33%	-3.48%
				USD/CHF	1.007	0.47%	-3.25%
				EUR/USD	1.076	1.00%	-2.57%
				USD/SGD	1.419	0.46%	-2.05%
Korea 5Y CDS	46	-3	2	DJIA	19,216	0.62%	7.42%
China 5Y CDS	115	-3	8	SPX	2,205	0.14%	5.73%
Malaysia 5Y CDS	153	-12	31	MSCI Asiax	521	-0.74%	-2.35%
Philippines 5Y CDS	116	-6	5	HSI	22,506	-1.42%	-0.61%
Indonesia 5Y CDS	171	-1	20	STI	2,943	2.38%	5.53%
Thailand 5Y CDS	89	-3	-3	KLCI	1,625	-0.23%	-1.41%
				JCI	5,268	3.01%	-1.76%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
5-Dec-16	Zhenjiang Transportation Industry	"BB/NR/NR"	USD160mn	3-year	5.5%
1-Dec-16	Ronshine China Holdings Ltd.	"B-/B3/B+"	USD175mn	3put2	7.5%
30-Nov-16	Guangzhou Industrial Inv. Fund	"BBB+/NR/A-"	USD200mn	5-year	CT5+205bps
30-Nov-16	Shinhan Bank.	"BBB+/Baa1/BBB+"	USD500mn	10NC5	CT5+215bps
30-Nov-16	Shougang Corp.	"NR/NR/A-"	USD400mn	3-year	CT3+215bps
29-Nov-16	State Power Investment Corp.	"NR/A2/A"	USD900mn	5-year	CT5+130bps
29-Nov-16	State Power Investment Corp.	"NR/A2/A"	USD300mn	10-year	CT10+157.5bps
28-Nov-16	Loncin Holdings Co.	"NR/A1/NR"	CNH800mn	3-year	4.5%
25-Nov-16	Zhenjiang Cultural Tourism Industry	"NR/NR/NR"	USD230mn	3-year	5.3%

Source: OCBC, Bloomberg

## Rating Changes (cont'd):

Moody's placed Chiyu Banking Corp.'s (Chiyu) deposit ratings on review for downgrade. The rating decision follows Bank of China Hong Kong Ltd.'s announcement on 26 October of its disposal of Chiyu which, if the sale is completed, is likely to reduce the affiliate and indirect government support available for the bank. Moody's affirmed its "A2" long-term issuer ratings on Bank Julius Baer & Co. Ltd. (BJB) and revised the outlook to stable from negative. In addition, Moody's affirmed Julius Baer Group Ltd.'s (JBG) "A3" long-term issuer rating and changed the outlook to stable from negative with JBG's "A3" subordinated debt ratings and "Baa3" high-trigger additional Tier 1 (AT1) securities ratings also affirmed. The outlook revision reflects less susceptibility to event risks for both BJB and JBG from (1) a better earnings profile following the successful integration of Merrill Lynch's International Wealth Management (IWM) business outside the United States; (2) settlement of a tax agreement with the US Department of Justice; and (3) stronger capital levels following recent issuance. Fitch assigned Fujian Zhanglong Group Co. Ltd. (Zhanglong) issuer default ratings of "BB+" with a stable outlook. Additionally, Fitch also assigned Zhanglong's proposed USD senior unsecured notes with an expected issue rating of "BB+". The rating assignments mainly reflect Zhangzhou municipality support and the economy's creditworthiness.

## Credit Headlines:

**Ascendas REIT ("AREIT"):** AREIT announced the proposed acquisition of 12, 14 and 16 Science Park Drive (located in Science Park 1) for SGD420mn from its Sponsor, Ascendas. Transaction costs is estimated at an additional SGD17.5mn. The acquisition comprises 3 built-to-suit blocks with a gross floor area of ~78,871 sqm. The properties are fully tenanted by DSO National Laboratories and DNV, a classification society. Taking into account of transaction cost, the NPI yield for the first year is estimated at 6.0%, around historical NPI yield levels for the portfolio. The proposed acquisition constitutes an "interested person transaction" and is subject to unitholder approval. The bulk of the purchase consideration (SGD320mn) will be satisfied by way of cash paid to the Sponsor. Whether cash or new equity issued to vendor on the remaining SGD100mn will be decided post-EGM (if deal is approved). The completion of the deal is expected to occur before the end of AREIT's current financial year (ie: within 4 months). As at 30 September 2016, AREIT's aggregate leverage, as measured by gross debt-to-total assets (D/A) is 34.2% while cash balances stood at SGD26.7mn. We estimate that cash balance is now ~SGD255mn after the net movements in acquisitions/disposals since 1 Oct 2016. AREIT faces (i) SGD540mn in short term debt due and (ii) SGD437.5mn for the current acquisition. Assuming the conservative assumption where the acquisition of the Science Parks is fully debt funded and that there is no change to cash balance, AREIT's D/A will rise to 38% (below the 45% regulatory cap). Perpetuals remain an insignificant part of AREIT's capital base at only 3% and we see low refinancing risk. As of 30 September 2016, AREIT's investment properties was SGD9.6bn and will rise to SGD9.8bn post completion of the acquisition. We maintain AREIT's issuer profile at Neutral. (Company, OCBC)

**Sabana Shari'ah Compliant Industrial REIT ("SSREIT"):** SSREIT has entered into an agreement to sell 218 Pandan Loop for SGD14.8mn. Completion is targeted by March 2017. The property represents only 1.1% of total portfolio GFA and about 1.3% of total assets. The property, which was acquired at time of IPO from its Sponsor for SGD13.5mn, has been flagged to be sold since end-2015. The property has been vacant for about a year since the expiry of the Master Lease in November 2015. We see this transaction as credit neutral. (Company, OCBC)

**Andrew Wong**

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

**Nick Wong Liang Mian, CFA**

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

**Ezien Hoo, CFA**

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

**Wong Hong Wei**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2533  
[WongHongWei@ocbc.com](mailto: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