

January 10, 2017

Credit Headlines (Page 2 onwards): Ascendas REIT, CITIC Envirotech Ltd., Yanlord Land Group Ltd.

Market Commentary: The SGD swap curve traded lower across all tenors yesterday, with swap rates falling by 1-3bps with a more pronounced decrease seen in the shorter to medium tenors. In the broader dollar space, the spread on the JACI IG Corporates decreased 1bps to 197bps, while the yield on JACI HY Corporates held steady at 6.82%. 10y UST yield fell 5bps to 2.37%, as haven assets rallied yesterday.

New Issues: FWD Ltd. scheduled investor meetings from January 10 for a possible USD bond issuance, with expected issue ratings of 'NR/Ba1/BB+'. Chang Development International Ltd. (guaranteed by Changchun Urban Development & Investment Holdings (Group) Co.) scheduled investor road shows from 10 January for possible USD Bonds issue, with expected issue rating of "NR/Baa1/NR". New World China Land Ltd. (guaranteed by New World Development Company Ltd.) scheduled investor meetings, Gome Electrical Appliances Holdings Ltd. scheduled investor meetings from 11 – 12 January, and SEA Holdings Ltd. scheduled investor road shows from 10 January, all for potential USD bond issues.

Rating Changes: Moody's assigned a Ba1(hyb) rating to FWD Limited's subordinated perpetual capital securities. The Ba1 (hyb) rating is positioned two notches below FWD Limited's issuer rating (currently Baa2 with a negative outlook), to reflect the fact that these securities will rank behind senior and subordinated debt obligations, and is in line with the standard notching guidance for preference shares. Fitch has also assigned an expected rating of 'BB+' to FWD Limited's perpetual capital securities. Fitch revised the outlook on the Issuer Default Ratings (IDR) of Indonesian state-owned entities Lembaga Pembiayaan Ekspor Indonesia (Indoexim), PT Bank Mandiri (Persero) Tbk (Mandiri), PT Bank Rakyat Indonesia (Persero) Tbk (BRI) and PT Bank Negara Indonesia (Persero) Tbk (BNI) to Positive from Stable. The outlook changes reflect the high probability that they would continue to receive state support in times of need and it follows Fitch's revision of the Outlook on Indonesia's sovereign rating to Positive from Stable on 21 December 2016.

Table 1: Key Financial Indicators

	10-Jan	1W chg (bps)	1M chg (bps)		10-Jan	1W chg	1M chg
iTraxx Asiax IG	116	-3	-4	Brent Crude Spot (\$/bbl)	54.94	-3.31%	1.12%
iTraxx SovX APAC	34	-1	-2	Gold Spot (\$/oz)	1,182.25	2.02%	1.72%
iTraxx Japan	56	-1	5	CRB	190.60	-0.99%	-0.72%
iTraxx Australia	98	-3	-5	GSCI	390.48	-1.94%	-0.09%
CDX NA IG	65	0	-3	VIX	11.56	-17.66%	-1.62%
CDX NA HY	107	0	0	CT10 (bp)	2.368%	-7.61	-9.92
iTraxx Eur Main	69	0	-3	USD Swap Spread 10Y (bp)	-13	1	0
iTraxx Eur XO	290	10	-13	USD Swap Spread 30Y (bp)	-50	1	0
iTraxx Eur Snr Fin	87	-2	-7	TED Spread (bp)	50	0	4
iTraxx Sovx WE	20	0	-2	US Libor-OIS Spread (bp)	34	1	2
iTraxx Sovx CEEMEA	78	-2	-12	Euro Libor-OIS Spread (bp)	3	0	-1
					10-Jan	1W chg	1M chg
				AUD/USD	0.735	1.86%	-1.92%
				USD/CHF	1.014	1.29%	-0.09%
				EUR/USD	1.059	1.76%	-0.44%
				USD/SGD	1.436	1.02%	-0.85%
Korea 5Y CDS	48	4	7	DJIA	19,887	0.63%	0.66%
China 5Y CDS	115	-2	1	SPX	2,269	1.34%	0.41%
Malaysia 5Y CDS	133	-4	-7	MSCI Asiax	527	1.78%	-0.85%
Philippines 5Y CDS	102	-5	-7	HSI	22,559	2.54%	-0.89%
Indonesia 5Y CDS	154	-3	-5	STI	2,982	3.50%	0.86%
Thailand 5Y CDS	74	-5	-6	KLCI	1,668	1.59%	1.61%
				JCI	5,316	0.37%	0.16%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
05-Jan-17	Societe Generale S.A	"BBB+/Baa3/A"	USD650mn	5-year	CT5+145bps
05-Jan-17	Societe Generale S.A	"BBB+/Baa3/A"	USD600mn	10-year	CT10+173bps
05-Jan-17	Sumitomo Mitsui Financial Group Inc.	"A-/A1/NR"	USD750mn	5-year	CT5+100bps
05-Jan-17	Sumitomo Mitsui Financial Group Inc	"A-/A1/NR"	USD250mn	5-year	3mL+97bps
05-Jan-17	Sumitomo Mitsui Financial Group Inc	"A-/A1/NR"	USD1.25bn	10-year	CT10+110bps
05-Jan-17	Sumitomo Mitsui Banking Corporation	"A/A1/NR"	USD750mn	2-year	CT2+80bps
05-Jan-17	Sumitomo Mitsui Banking Corporation	"A/A1/NR"	USD500mn	2-year	3mL+54bps
04-Jan-17	National Australian Bank Ltd.	"AA-/Aa2/NR"	USD1bn	3-year	CT3+78bps
04-Jan-17	National Australian Bank Ltd.	"AA-/Aa2/NR"	USD1bn	5-year	CT5+90bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd):

Fitch downgraded China-based department store operator Parkson Retail Group Limited's (Parkson) IDR and senior unsecured rating to 'B-' from 'B', with a negative outlook. The downgrade reflects the company's weaker operating performance, while the negative outlook reflects uncertainty over its ability to refinance or repay its USD500mn bonds maturing in May 2018.

Credit Headlines:

Ascendas REIT ("AREIT"): The Extraordinary General Meeting ("EGM") in relation to AREIT's proposed acquisition of 12, 14 and 16 Science Park Drive from its Sponsor and potential issuance of new units will be held on 25 January 2017. Should the transaction be approved, the proposed acquisition is targeted to complete by 31 March 2017. The acquisition cost (including transaction fees and other expenses) is ~SGD437.5mn, with SGD320mn to be paid in cash to Sponsor. The remaining consideration will either be paid via cash or new equity issued to the Sponsor (to be confirmed post-EGM). Under a conservative assumption where the transaction is fully debt funded and there is no change to cash balances, AREIT's headline aggregate leverage may rise moderately to 36%. Our base case though is that partial consideration will be paid in the form of equity, thereby capping aggregate leverage at less than 36%. Apart from Science Park, AREIT faces ~SGD472mn in short term debt due over the next 9 months (including SGD62mn in outstanding Exchangeable Collateralised Securities which AREIT has announced its intention to redeem). We are keeping our Neutral issuer profile on AREIT. (Company, OCBC)

CITIC Envirotech Ltd ("CEL"): CEL announced that it has secured its first river restoration project in Yixing (Jiangsu Province, China). The total investment value of the project is RMB650mn. This build-lease-transfer project will be carried out as a 90:10 joint venture with the Yixing Industrial Park for Environmental Science and Technology Management Committee ("YIMC"). YIMC co-manages the Yixing Industrial Park for Environmental Science and Technology ("Yixing Park"). Yixing Park focuses on the incubation and development of the environmental industry and is supported by China's Ministry of Science and Technology and the Ministry of Environment Protection. This contract win comes on the heels of two other contracts announced in December 2016 (collectively an additional SGD451mn in investment value). Adjusting USD perpetuals upwards as debt, CEL's adjusted net debt-to-equity as at 30 September 2016 was 0.7x, we estimate that the new projects may increase this number to the 0.9x-1.0x level. Despite our expectations of increasing leverage, we are keeping our Neutral issuer profile on the company. We see financial flexibility of CEL to have expanded (especially with regards to onshore financing), allowing it to withstand higher debt levels. CEL continues to be ~55% owned by Chinese state-owned CITIC and since 4Q2016, China Reform Puissance Overseas GP L.P. ("Puissance") has become a major shareholder holding 24% stake. We understand from management that Puissance is backed by China Reform Fund, a state-owned private equity investment firm under the direct supervision from the Central Government. (Company, OCBC)

Yanlord Land Group Limited ("YLLG"): YLLG (via its wholly-owned subsidiary) has acquired the remaining interest of 25% in Shenzhen Hengming Commercial Co. Ltd ("Shenzhen Hengming") for ~RMB1.125bn. Immediately prior to the acquisition, Shenzhen Hengming was 75%-owned by YLLG (ie: a partially-owned subsidiary). This adds on to the ~RMB10.8bn in land acquisition which we think remains unpaid, and which we think will likely need to be debt-funded. We expect to see gross debt-to-equity rising to 0.9x-1.0x levels and have lowered our issuer profile for YLLG to Negative from Neutral. We are however, keeping YLLGSP'17s on neutral on the back of its short term to maturity and expectations that this bond can be refinanced. (Company, OCBC).

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