

April 12, 2017

Credit Headlines (Page 2 onwards): Industry Outlook – Singapore Residential Property, Oxley Holdings Ltd, Singapore Telecommunications Ltd

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading 2-5bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in OUESP 3.75%'22s, SOCGEN 4.3%'26s, and mixed interest in OUESP 3.8%'20s, BAERVX 5.9%'49s. In the broader dollar space, the spread on JACI IG corporates rose 2bps to 198bps while the yield on JACI HY changed little at 6.56%. 10y UST yields fell 7bps yesterday to 2.30%, tumbling to the lowest closing levels of 2017, as geopolitical tensions flared up and political risk surrounding the French presidential election intensified.

New Issues: Barmenco Finance Pty Limited priced a USD350mn 5NC2 bonds at 6.625%. The expected issue ratings are 'NR/B2/NR'. Korea Expressway Corporation priced a USD400mn 3-year bond at 3mL+70bps, tightening from initial guidance of 3mL+85bps. The expected issue ratings are 'AA/Aa2/NR'. Bank of China Limited, Dubai Branch priced a USD650mn 3-year bond at 3mL+77bps, tightening from initial guidance of 3mL+100bps. The expected issue ratings are 'NR/A1/A'. Bank of China Limited, Macau Branch priced a USD1.05bn 2-tranche deal; with the USD750mn 5-year piece at CT5+112.5bps, tightening from initial guidance of CT5+135bps, and the USD300mn 10-year piece at CT10+135bps, tightening from initial guidance of CT10+155bps. The expected issue ratings are 'NR/A1/A'. CITIC Securities Finance MTN Co. priced a USD800mn 2-tranche deal (guaranteed by CITIC Securities Company Ltd); with the USD300mn 3-year piece at CT3+135bps, tightening from initial guidance of CT3+155bps, and the USD500mn 5-year piece at CT5+150bps, tightening from initial guidance of CT5+170bps. The expected issue ratings are 'NR/Baa1/NR'. Yida China Holdings Ltd. priced a USD300mn 3-year bond at 7.5%, tightening from initial guidance at 7.75%. The expected issue ratings are 'B-/B3/B'. China Oil & Gas Group Ltd. priced a USD350mn 5NC3 bond at 4.625%, tightening from initial guidance of 5%. The expected issue ratings are 'BB/Ba2/NR'.

Table 1: Key Financial Indicators

| | 12-Apr | 1W chg (bps) | 1M chg (bps) | | 12-Apr | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG | 99 | 5 | 5 | Brent Crude Spot (\$/bbl) | 56.37 | 3.70% | 9.73% |
| iTraxx SovX APAC | 22 | 1 | -6 | Gold Spot (\$/oz) | 1,277.64 | 1.74% | 6.09% |
| iTraxx Japan | 45 | 0 | -7 | CRB | 188.00 | 1.29% | 2.93% |
| iTraxx Australia | 87 | 4 | 2 | GSCI | 400.63 | 2.54% | 5.41% |
| CDX NA IG | 67 | 1 | 2 | VIX | 15.07 | 27.82% | 29.25% |
| CDX NA HY | 107 | 0 | 0 | CT10 (bp) | 2.280% | -5.53 | -29.44 |
| iTraxx Eur Main | 77 | 2 | 4 | USD Swap Spread 10Y (bp) | -4 | -2 | -1 |
| iTraxx Eur XO | 294 | 3 | 7 | USD Swap Spread 30Y (bp) | -40 | -1 | -2 |
| iTraxx Eur Snr Fin | 94 | 2 | 7 | TED Spread (bp) | 35 | -1 | -3 |
| iTraxx Sovx WE | 13 | 0 | -2 | US Libor-OIS Spread (bp) | 21 | 0 | -2 |
| iTraxx Sovx CEEMEA | 53 | 3 | -11 | Euro Libor-OIS Spread (bp) | 2 | 0 | 1 |
| | | | | | | | |
| | | | | | 12-Apr | 1W chg | 1M chg |
| | | | | AUD/USD | 0.749 | -1.03% | -1.04% |
| | | | | USD/CHF | 1.007 | -0.23% | 0.00% |
| | | | | EUR/USD | 1.061 | -0.52% | -0.42% |
| | | | | USD/SGD | 1.402 | -0.08% | 0.85% |
| | | | | | | | |
| Korea 5Y CDS | 57 | 7 | 11 | DJIA | 20,651 | -0.18% | -1.20% |
| China 5Y CDS | 86 | 5 | -2 | SPX | 2,354 | -0.27% | -0.79% |
| Malaysia 5Y CDS | 113 | 7 | 3 | MSCI Asiax | 580 | -1.33% | 3.48% |
| Philippines 5Y CDS | 86 | 4 | 2 | HSI | 24,054 | -1.42% | 2.06% |
| Indonesia 5Y CDS | 135 | 7 | 5 | STI | 3,173 | -0.11% | 1.27% |
| Thailand 5Y CDS | 56 | 4 | 0 | KLCI | 1,737 | -0.47% | 1.10% |
| | | | | JCI | 5,637 | -0.71% | 4.56% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|-----------|-------------------------------------|--------------|----------|---------|--------------|
| 11-Apr-17 | Barmenco Finance Pty Limited | "NR/B2/NR" | USD350mn | 5NC2 | 6.625% |
| 11-Apr-17 | Korea Expressway Corporation | "AA/Aa2/NR" | USD400mn | 3-year | 3mL+70bps |
| 11-Apr-17 | Bank of China Limited, Dubai Branch | "NR/A1/A" | USD650mn | 3-year | 3mL+77bps |
| 11-Apr-17 | Bank of China Limited, Macau Branch | "NR/A1/A" | USD750mn | 5-year | CT5+112.5bps |
| 11-Apr-17 | Bank of China Limited, Macau Branch | "NR/A1/A" | USD300mn | 10-year | CT10+135bps |
| 11-Apr-17 | CITIC Securities Finance MTN Co | "NR/Baa1/NR" | USD300mn | 3-year | CT3+135bps |
| 11-Apr-17 | CITIC Securities Finance MTN Co | "NR/Baa1/NR" | USD500mn | 5-year | CT5+150bps |
| 11-Apr-17 | Yida China Holdings Ltd. | "B-/B3/B" | USD300mn | 3-year | 7.5% |
| 11-Apr-17 | China Oil & Gas Group Ltd. | "BB/Ba2/NR" | USD350mn | 5NC3 | 4.625% |

Source: OCBC, Bloomberg

New Issues (cont'd): Oil India International Pte. Ltd. priced a USD500mn 10-year bond (guaranteed by Oil India Ltd.) at CT10+172.5bps, tightening from initial guidance of CT10+200bps. The expected issue ratings are 'NR/Baa2/BBB-'. Golden Wheel Tiandi Holdings Company Ltd. priced a USD200mn re-tap of its 8.25% bond (maturing in 3 Nov 2019) at 101.2367. Nanyang Commercial Bank hired banks for potential USD AT1 bond issuance. Daiwa Securities Group Inc. hired banks for potential USD 5-year bond issuance. The expected issue ratings are 'A-/Baa1/NR'.

Table 3: Recent Asian New Issues (cont'd)

| <u>Date</u> | <u>Issuer</u> | <u>Ratings</u> | <u>Size</u> | <u>Tenor</u> | <u>Pricing</u> |
|-------------|---|----------------|-------------|-------------------------|----------------|
| 11-Apr-17 | Oil India International Pte. Ltd. | Not Rated | USD500mn | 10-year | CT10+172.5bps |
| 11-Apr-17 | Golden Wheel Tiandi Holdings Company Ltd. | "AA/Aa2/NR" | USD200mn | 3-year (from issue dt.) | 101.2367 |

Source: OCBC, Bloomberg

Rating Changes: S&P downgraded China-based oil and gas exploration and production company MIE Holdings Corp.'s (MIE) long-term corporate credit rating and long-term issue rating on the company's senior unsecured notes to 'CCC' from 'B-'. The rating outlook is negative. The rating action reflects S&P's view that MIE's liquidity is likely to remain weak and the company faces heightened refinancing risk on its outstanding U.S. dollar notes. Moody's affirmed Cheung Kong Property Holdings Limited's (CKP) 'A2' issuer rating, as well as the senior unsecured rating and provisional '(P)A2' senior unsecured rating on the guaranteed medium term note (MTN) program of CK Property Finance (MTN) Limited. The ratings outlook is stable. The rating action reflects Moody's expectation that CKP will be prudent in its non-property investments, maintain property development and investment as its core businesses, and adopt prudent financial management to keep debt leverage at low levels. Moody's upgraded Indika Energy Tbk PT's (Indika) the corporate family rating (CFR) of to 'B2' from 'Caa1'. In addition, Moody's upgraded the ratings on 3 of the company's senior secured notes issued by its subsidiaries to 'B2' from 'Caa1'. The outlook on the ratings is stable. The rating action reflects the significant improvement in the company's liquidity profile and debt maturity profile following the successful refinancing of its 2018 notes. Moody's assigned Nanjing Yang Zi State-Owned Investment Group (Nanjing Yang Zi) a first-time 'Baa1' issuer rating. The rating outlook is stable. The rating action reflects the very close ties that the company maintains with the Nanjing Municipal People's Government (Nanjing Government, unrated) and the strong oversight implemented by the municipal government over its operations. Fitch affirmed Yanzhou Coal Mining Company Limited's (Yanzhou) Foreign-Currency Issuer Default Rating (IDR) at 'B'. In addition, Fitch revised the rating outlook to stable from negative. The rating action reflects the significant improvement in the operating environment from higher coal prices, which has reduced the overall risks for Yanzhou. Fitch downgraded China-based homebuilder Sunshine 100 China Holdings Ltd's (Sunshine 100) senior unsecured rating and the rating on the outstanding USD215mn senior notes to 'CCC' from 'CCC+'. In addition, Fitch affirmed the Foreign-Currency Issuer Default Rating (IDR) at 'B-', and maintained the Negative Outlook on the ratings. The rating action reflects Fitch's expectations that recovery prospects in the event of a default had deteriorated further because Sunshine's onshore debt - which ranks ahead of its US dollar senior notes - had increased by CNY5.5bn in 2016, which exceeded its adjusted inventory increase of CNY1.5bn.

Credit Headlines:

Industry Outlook - Singapore Residential Property: According to SRX private resale index, non-landed private home resale prices continued to rise for the 5th consecutive month, prices in March higher by 0.5% m/m. In another piece of news, 24 developers bided for the 18,721.4 sqm Toh Tuck site, with the winning bid at SGD265mn, translating to SGD939 psf. As mentioned in yesterday's [OCBC Asian Credit Daily – 11 Apr 2017](#), a number of developers are running low on landbank, and hence sites are attracting keen bids. However, the bid amount still came in as a surprise, as the Straits Times reported that the winning bid was forecasted at below SGD200mn – which may indicate that developers are optimistic on housing prices. In addition, we also saw healthy sales being achieved at Gramercy Park, with foreign buyers coming in. Despite the weaker print by URA 1Q2017's flash estimates on private residential property prices, we see the rising resale market, bullishness expressed by developers in land bids and healthy sales as indications that the property market have bottomed. (SRX, Straits Times, OCBC)

Credit Headlines (cont'd):

Oxley Holdings Ltd (“OHL”): OHL’s 50%-owned JV company, Oxley Planetvision Properties Ltd, will be acquiring 2 companies (Flitous Properties Ltd and Jemina Properties Ltd) with properties located in Limassol, Cyprus from Bank of Cyprus PCL for EUR28mn (SGD41.7mn). The properties have a total area of 96,448 sqm and have no other business activities. Based on the valuation report dated 10 Apr 2017, the market value of the properties is EUR30.69mn. The transaction will be funded by internally generated funds, and assuming OHL funds half of its share of the transaction with cash, net gearing would increase to 1.80x (based on 1.78x in 31 Dec 2016). We view the transaction as credit neutral, as OHL has sufficient liquidity with SGD462mn of cash. Separately, OHL is planning a USD 4-year bond issue, with initial price guidance at 6.5%. The closest comparable, in our view, is OHLSP 5.15% '20 which is trading at 4.98% (5.16% in USD terms). With the existing '20s trading 134bps tighter, we think the new issue looks relatively attractive. However, as mentioned in our [OCBC Asian Credit Daily – 7 Apr 2017](#), our Neutral Issuer Profile on OHL is premised on its commitment to deleverage, and we are currently reviewing OHL’s credit profile. (Company, OCBC)

Singapore Telecommunications Ltd (“SingTel”): After securing its bid to become the 4th mobile operator in Singapore, TPG looks to enter the Australian mobile market (also as the 4th mobile operator, after Telstra, SingTel’s Optus and Vodafone) after bidding AUD1.26bn for airwaves. Currently, TPG has been operating in the Australian market as a mobile virtual network operator under Vodafone’s network. With an additional competitor, SingTel’s Optus may face a challenge to its market share (27.9%) and potential margin compression from cuts to ARPU and increased costs (e.g. spectrum bidding). We estimate that Optus contributes 22.4% of SingTel’s pre-tax profits. We note that shareholders of Telstra, which is the Australia mobile market leader, have reacted negatively with Telstra’s share price declining by 7.4% since yesterday’s close to AUD4.22 as of writing. We do not currently cover SingTel (Bloomberg, OCBC)

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