

Jul 12, 2017

**Credit Headlines (Page 2 onwards):** Chip Eng Seng Corp Ltd

**Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 0-2bps higher across all tenors, with the exception of the 5-year tenor, which traded marginally lower. Flows in SGD corporates were moderate, with better buying seen in HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 185bps, while the yield on JACI HY Corporates rose 1bps to 6.87%. 10y UST yields fell 1bps to 2.36% after Donald Trump Jr.'s email release.

**New Issues:** Bright Food Singapore Holdings Pte Ltd has priced a EUR800mn 3-year bond (guaranteed by Bright Food (Group) Co Ltd) at CT3+117.5bps, tightening from CT3+140bps area. The expected issue ratings are 'BBB-/Baa3/A-'. ANZ New Zealand has priced a two-tranche deal, with the USD500mn 3-year bond priced at CT3+70bps, tightening from initial guidance of CT3+90bps; and the USD500mn 10-year bond priced at CT10+112bps, tightening from initial guidance of CT10+125bps. The expected issue ratings for the 3-year bond are 'NR/A1/AA-', and the expected issue ratings for the 10-year bond are 'NR/A1/NR'. Wisdom Glory Group Ltd has priced a USD450mn Perp NC3 (guaranteed by Greentown China Holdings Ltd) at 5.25%, tightening from initial guidance of 5.625%. The expected issue ratings are 'NR/Baa3/NR'. Central China Real Estate Ltd has priced a USD200mn 1-year bond at 6%. The expected issue ratings are 'B+/Ba3/NR'. Takeda Pharmaceutical Company Ltd has priced a USD500mn 4.5-year bond at CT4.5+55bps, tightening from initial guidance of CT4.5+70bps. The expected issue ratings are 'NR/A1e/NR'. China Railway XunJie Co has scheduled investor meetings for potential USD bond issuance (guaranteed by China Railway Group Ltd) from 12 Jul. The expected issue ratings are 'NR/A3/A-'. Yinchuan Tonglian Capital Investment Operation Co has scheduled investor meetings for potential USD bond issuance from 12-17 Jul. The expected issue ratings are 'NR/Baa3/NR'.

**Table 1: Key Financial Indicators**

	12-Jul	1W chg (bps)	1M chg (bps)		12-Jul	1W chg	1M chg
iTraxx Asiax IG	87	-1	2	Brent Crude Spot (\$/bbl)	48.16	0.77%	-0.27%
iTraxx SovX APAC	22	0	4	Gold Spot (\$/oz)	1,219.27	-0.63%	-3.70%
iTraxx Japan	41	1	1	CRB	173.92	-1.27%	-1.14%
iTraxx Australia	84	0	0	GSCI	370.25	0.09%	0.52%
CDX NA IG	62	1	2	VIX	10.89	-2.94%	-4.97%
CDX NA HY	107	0	-1	CT10 (bp)	2.352%	2.84	13.71
iTraxx Eur Main	56	1	-2	USD Swap Spread 10Y (bp)	-4	-3	1
iTraxx Eur XO	254	7	14	USD Swap Spread 30Y (bp)	-34	-6	10
iTraxx Eur Snr Fin	54	1	-10	TED Spread (bp)	27	1	4
iTraxx Sovx WE	6	0	-1	US Libor-OIS Spread (bp)	14	0	4
iTraxx Sovx CEEMEA	58	1	11	Euro Libor-OIS Spread (bp)	3	0	0
					12-Jul	1W chg	1M chg
				AUD/USD	0.766	0.71%	1.54%
				USD/CHF	0.963	0.14%	0.63%
				EUR/USD	1.148	1.15%	2.49%
				USD/SGD	1.381	0.02%	0.27%
Korea 5Y CDS	59	0	6	DJIA	21,409	-0.33%	0.82%
China 5Y CDS	69	-2	0	SPX	2,426	-0.14%	-0.16%
Malaysia 5Y CDS	85	-2	-5	MSCI Asiax	629	0.75%	0.94%
Philippines 5Y CDS	75	-4	-1	HSI	26,105	2.29%	1.55%
Indonesia 5Y CDS	120	0	3	STI	3,214	-1.05%	-1.04%
Thailand 5Y CDS	63	-2	7	KLCI	1,756	-0.72%	-1.87%
				JCI	5,800	-0.43%	1.90%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
11-Jul-17	Bright Food Singapore Holdings Pte Ltd	'BBB-/Baa3/A-'	EUR800mn	3-year	CT3+117.5bps
11-Jul-17	ANZ New Zealand	'NR/A1/AA-'	USD500mn	3-year	CT3+70bps
11-Jul-17	ANZ New Zealand	'NR/A1/NR'	USD500mn	10-year	CT10+112bps
11-Jul-17	Wisdom Glory Group Ltd	'NR/Baa3/NR'	USD450mn	Perp NC3	5.25%
11-Jul-17	Central China Real Estate Ltd	'B+/Ba3/NR'	USD200mn	1-year	6%
11-Jul-17	Takeda Pharmaceutical Company Ltd	'NR/A1e/NR'	USD500mn	4.5-year	CT4.5+55bps
10-Jul-17	Straits Trading Co Ltd	Not Rated	SGD150mn	4-year	3.73%
10-Jul-17	MCC Holding (Hong Kong) Corporation Ltd (re-tap)	'NR/Baa2/NR'	USD500mn	2.95%'20s	CT3+155bps

Source: OCBC, Bloomberg

**Rating Changes:** S&P has assigned PACCAR Financial Pty Ltd (PFPL) a corporate credit rating of 'A+'. The outlook is stable. The rating action reflects S&P's assessment that PFPL is a core entity within PACCAR Inc Group, the Washington-based global truck manufacturer, and PFPL generates all its receivables from financing PACCAR Inc's trucks, trailers and ancillary equipment. S&P has placed SUNAC China Holdings Ltd's (SUNAC) 'B+' corporate credit rating and 'B' long-term issuer rating on CreditWatch with negative implications. The rating action reflects S&P's view that Sunac's financial leverage could further deteriorate following the large land acquisitions and expansion in non-core segments. Moody's has upgraded Incitec Pivot Ltd's (INCITEC) issuer rating to 'Baa2' from 'Baa3'. The outlook is stable. The rating action reflects Moody's expectation that INCITEC will continue to execute cost improvement initiatives, combined with good progress to date in ramping up its ammonia plant in Louisiana. This allows INCITEC to generate solid earnings and improve its balance sheet and credit metrics despite challenging operating conditions. Moody's has affirmed JFE Holdings Ltd's (JFE) issuer rating at 'Baa2', while revising its outlook to stable from negative. The rating action reflects Moody's view that despite the inherent volatility of the steel market, JFE is in a market leading position in high-grade steel products and advanced technology, and profitability has recovered from higher steel prices in Japan and abroad. Moody's has affirmed Nippon Steel & Sumitomo Metal Corporation's (NSSM) 'Baa1' senior unsecured ratings and its 'Baa3' subordinate rating, while revising its outlook to stable from negative. The rating action reflects Moody's view that despite the volatile steel market, the company is one of the largest steel producers in the world with its recent acquisition of Nisshin Steel, and higher steel sale prices in Japan has allowed NSSM's profitability to recover. Moody's has assigned Yinchuan Tonglian Capital Investment Operation Co Ltd (Tonglian) a 'Baa3' issuer rating, while assigning its proposed USD bond a 'Baa3' senior unsecured rating. The outlook is stable. The rating action reflects Tonglian's strategic importance to the Yinchuan government, given its status as the government's largest state-owned company and its role in undertaking a large amount of infrastructure projects and public sector services. Fitch has assigned Mitsubishi UFJ Morgan Stanley Securities Co Ltd (MUMSS) an issuer default rating of 'A'. The outlook is stable. The rating action reflects that its majority shareholder, Mitsubishi UFJ Financial Group, would likely extend its subsidiary support in a timely manner due to MUMSS's role of supporting MUFJ's aggregate securities business and the high degree of operational integration and branding.

## Credit Headlines:

**Chip Eng Seng Corp Ltd ("CES"):** CES's 60%-owned subsidiary CEL Unique Development Pte Ltd won a land parcel at Woodleigh Lane for SGD700.7mn at SGD1,110 psf. The price was not surprising, given that SPH/Kajima had recently won a site near Woodleigh MRT station for SGD1.1bn at SGD1,181 psf. The site was also hotly contested with 15 bidders. According to Edmund Tie & Company, selling prices are expected in the range of SGD1,720 psf to SGD1,800 psf. However, Cushman & Wakefield thinks that such prices "are not supported in the vicinity". As mentioned in our [Mid-Year 2017 Credit Outlook](#), we have raised the possibility of CES utilising its cash buffer for a sizeable land parcel, and it remains to be seen if such land bids may eventually support profit margins or turn out into a winner's curse. Assuming the acquisition is funded fully by cash/debt, net gearing could increase to 140% from 89% as of 1Q2017. This puts net gearing above peers including GuocoLand (1.01x), Frasers Centrepoint (0.74x) and close to Oxley Holdings (1.89x). As such, we downgrade CHIPEN '21s and '22s from Overweight to Neutral as they no longer look attractive. However, we continue to hold CES at a Neutral Issuer Profile, albeit precariously, as we believe that the recovery in the property market will help CES move more units at its other projects such as Fulcrum and Grandeur Park. (Company, OCBC)

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