

Jul 13, 2017

**Credit Headlines (Page 2 onwards):** Nam Cheong Ltd, Rickmers Maritime Trust, CapitaLand Commercial Trust and CapitaLand Ltd, Oxley Holdings Ltd, Australia and New Zealand Banking Group Ltd

**Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 6-8bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, OLAMSP 5.5%-PERPs, and better selling seen in uobsp 3.5%'29s. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 186bps, while the yield on JACI HY Corporates fell 1bps to 6.87%. 10y UST yields fell 4bps to 2.31% after Federal Reserve Chairwoman Janet Yellen wavered over the transitory nature of inflation in her testimony.

**New Issues:** ARA Asset Management Ltd has priced a SGD300mn Perp NC5 at 5.2%, tightening from initial guidance of the 5.5% area. Softbank Group Corp has priced a two-tranche deal, with the USD2.75bn Perp NC6 priced at 6%, tightening from initial guidance of 6.375%; and the USD1.75bn Perp NC10 priced at 6.875%, tightening from initial guidance of 7.125%. The expected issue ratings are 'B+/Ba3/NR'. CNAC (HK) Finbridge Company Ltd has priced a three-tranche deal (guaranteed by China National Chemical Corp), with the USD500mn 3-year bond priced at CT3+150bps, tightening from initial guidance of CT3+185bps; the USD1.5bn 5-year bond at CT5+165bps, tightening from initial guidance of CT5+200bps; and the USD1bn 10-year bond at CT10+185bps, tightening from initial guidance of CT10+220bps. The expected issue ratings are 'BBB/NR/A-'. PTTEP Treasury Center Company Ltd has priced a USD500mn Perp NC5 (guaranteed by PTT Exploration and Production PCL) at 4.60%, tightening from initial guidance of 4.875%. The expected issue ratings are 'NR/Baa3/NR'. Powerlong Real Estate Holdings Ltd has priced a USD200mn 3-year bond at 6.25%, tightening from initial guidance of 6.375%. The expected issue ratings are 'B-/B2/NR'. SMBC Aviation Capital Finance DAC has priced a USD500mn 5-year bond at CT5+115bps, tightening from initial guidance of CT5+135bps. The expected issue ratings are 'BBB+/NR/A-'.

**Table 1: Key Financial Indicators**

	13-Jul	1W chg (bps)	1M chg (bps)		13-Jul	1W chg	1M chg
iTraxx Asiax IG	86	-2	3	Brent Crude Spot (\$/bbl)	47.79	-0.67%	-1.91%
iTraxx SovX APAC	22	-1	5	Gold Spot (\$/oz)	1,223.23	-0.16%	-3.42%
iTraxx Japan	41	0	0	CRB	173.88	0.13%	-1.11%
iTraxx Australia	84	0	1	GSCI	370.22	-0.29%	0.09%
CDX NA IG	60	-2	1	VIX	10.3	-6.96%	-1.15%
CDX NA HY	107	1	-1	CT10 (bp)	2.307%	-5.89	9.61
iTraxx Eur Main	55	0	-2	USD Swap Spread 10Y (bp)	-5	-3	-2
iTraxx Eur XO	247	-7	10	USD Swap Spread 30Y (bp)	-34	-5	6
iTraxx Eur Snr Fin	52	-1	-10	TED Spread (bp)	27	1	2
iTraxx Sovx WE	6	0	-1	US Libor-OIS Spread (bp)	14	0	4
iTraxx Sovx CEEMEA	56	-4	9	Euro Libor-OIS Spread (bp)	3	0	0
					13-Jul	1W chg	1M chg
				AUD/USD	0.769	1.41%	2.07%
				USD/CHF	0.964	-0.35%	0.53%
				EUR/USD	1.144	0.11%	2.00%
				USD/SGD	1.377	0.36%	0.28%
Korea 5Y CDS	58	-2	7	DJIA	21,532	0.25%	0.95%
China 5Y CDS	68	-3	1	SPX	2,443	0.44%	0.12%
Malaysia 5Y CDS	84	-4	-1	MSCI Asiax	633	1.73%	1.35%
Philippines 5Y CDS	74	-5	0	HSI	26,337	3.42%	1.88%
Indonesia 5Y CDS	118	-4	5	STI	3,229	0.08%	-0.88%
Thailand 5Y CDS	63	-2	7	KLCI	1,760	-0.61%	-1.38%
				JCI	5,820	-0.51%	1.96%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Jul-17	ARA Asset Management Ltd	Not Rated	SGD300mn	Perp NC5	5.2%
12-Jul-17	Softbank Group Corp	'B+/Ba3/NR'	USD2.75bn	Perp NC6	6%
12-Jul-17	Softbank Group Corp	'B+/Ba3/NR'	USD1.75bn	Perp NC10	6.875%
12-Jul-17	CNAC (HK) Finbridge Company Ltd	'BBB/NR/A-'	USD500mn	3-year	CT3+150bps
12-Jul-17	CNAC (HK) Finbridge Company Ltd	'BBB/NR/A-'	USD1.5bn	5-year	CT5+165bps
12-Jul-17	CNAC (HK) Finbridge Company Ltd	'BBB/NR/A-'	USD1bn	10-year	CT10+185bps
12-Jul-17	PTTEP Treasury Center Company Ltd	'NR/Baa3/NR'	USD500mn	Perp NC5	4.60%
12-Jul-17	Powerlong Real Estate Holdings Ltd	'B-/B2/NR'	USD200mn	3-year	6.25%
12-Jul-17	SMBC Aviation Capital Finance DAC	'BBB+/NR/A-'	USD500mn	5-year	CT5+115bps

Source: OCBC, Bloomberg

**New Issues (Cont'd):** Shandong Energy Australia Pty Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Shandong Energy Group Co) from 13 Jul. The expected issue ratings are 'BB/NR/NR'. Sinochem International Development Pte has scheduled investor meetings for potential USD bond issuance (guaranteed by Sinochem International Corporation) from 13 Jul. The expected issue ratings are 'BBB+/Baa1/NR'. Chong Hing Bank Ltd has scheduled investor meetings for potential USD bond issuance from 13 Jul. The expected issue ratings are 'NR/NR/BBB-'.

**Rating Changes:** S&P has affirmed Binhai Jiantou (Hong Kong) Development Ltd's (BHCI) long-term corporate credit rating at 'BBB+'. The outlook is stable. S&P then withdrew all ratings at BHCI's request. S&P has assigned Sinochem International Corp (SIC) a long-term corporate credit rating and senior unsecured notes rating of 'BBB+'. The outlook is stable. The rating action reflects SIC's status as a highly strategic subsidiary of Sinochem Group, which would likely receive extraordinary support from the Chinese government if in distress. Moody's has placed Geely Automobile Holdings Limited's (GEELY) 'Ba2' corporate family rating and senior unsecured rating on review for an upgrade. The rating action reflects GEELY's gain in market share, improvement in profitability in terms of EBITA margin net of subsidies, consistent low debt leverage, and its strong liquidity position. Moody's has assigned Sinochem International Corp (SIC) an issuer and senior unsecured rating of 'Baa1'. The outlook is stable. The rating action reflects Moody's expectation that SIC will receive strong support from its parent, Sinochem Group in times of need. Fitch has assigned Sinochem International Corp (SIC) a Foreign-Currency Issuer Default Rating (IDR) and senior unsecured rating of 'BBB+'. The outlook is stable. The rating action reflects SIC's importance to its parent, Sinochem Group, its acquisition of Halycon Agri Corp, which diversifies SIC's rubber production, and its operational and strategic ties with the state. Fitch has downgraded Sunac China Holding Ltd's (SUNAC) Foreign-Currency Issuer Default Rating (IDR) and senior unsecured rating to 'BB-' from 'BB' and has placed all ratings on Watch Negative. The rating action reflects SUNAC's acquisitive business approach which makes its financial profile more volatile.

## Credit Headlines:

**Nam Cheong Ltd ("NCL"):** NCL announced that it will be holding an informal noteholders meeting on the evening of 19/07/17, to update noteholders on restructuring options. We have previously mentioned (refer to [OCBC Asia Credit – Nam Cheong Credit Update 9 May](#)) that NCL was reviewing its options to restructure its business, operations and balance sheet. Given weak 1Q2017 results (refer [OCBC Asian Credit Daily - 16 May 2017](#)) reflecting NCL's continued operating cash burn as well as weak EBITDA generation, it is highly unlikely that NCL would be able to persist without some form of debt restructuring. As a reference, NCL reported ~MYR260mn in cash balance as of the end of 1Q2017. There are currently two looming interest and principal payments: SGD2.4375mn coupon due on the NCLSP'18s on 23/07/17 and the maturity of the SGD90mn NCLSP'17s on 28/08/18. Please refer to [OCBC Asia Credit – Nam Cheong Credit Update 9 May](#) for a scenario analysis on the various possible restructuring outcomes. We currently rate NCL with a Negative Issuer Profile. (Company, OCBC)

**Rickmers Maritime Trust ("RMT"):** As mentioned previously (refer [OCBC Asian Credit Daily - 29 May 2017](#)), the Trustee-Manager for RMT had entered into a Master Agreement with Navios Partners Containers Inc, and Navios Partners Containers Finance Inc, for the conditional sale of RMT's entire fleet of 14 vessels, for a consideration of USD113mn, and that the sale of 5 of its vessels had been completed then with RMT receiving proceeds of USD24.7mn (net of dues to secured lenders) from the sale. In the current announcement, the sale of the balance 9 vessels (with vessels secured against loans provided by the HSH Syndicate) have been completed (on 12/07/17) for a total consideration of USD54mn. As the consideration was insufficient to cover the HSH Syndicate loan, the balance (not covered by collateral) becomes an unsecured claim and rank pari passu with noteholders. RMT had indicated that unsecured creditors (including noteholders) would receive an estimated recovery of 11.4%. The distribution of such recoveries is expected to be done in 3Q2017. OCBC Credit Research does not currently cover RMT. (Company)

## Credit Headlines (Cont'd):

**Capitaland Commercial Trust ("CCT") and CapitaLand Ltd ("CAPL"):** CCT announced that it will be forming a JV (known as Glory Office Trust) with CAPL and Mitsubishi Estate Co ("MEC"), with the ownership being 45%, 45% and 10%, to redevelop the Golden Shoe Car Park ("GSCP"). GSCP will be redeveloped into a 51-storey integrated development with a total GFA of ~1mn sqft and a height of 280mn (the maximum allowed in Raffles Place). The development would include 635,000 sqft of Grade A office Space (over 29 floors), a 299-unit (across 8 floors) serviced residence (to be managed by The Ascott Limited), five floors of car park (with 350 car lots) and 12,000 sqft of ancillary retail space. The total development cost is expected to be SGD1.82bn, with construction to start in 1Q2018, and TOP targeted for 1H2021. The GSCP was valued at SGD146.5mn on average [correct word?], with the Glory Office Trust acquiring GSCP for SGD161.1mn. Of the estimated SGD1.82bn in development cost, ~53% or SGD957.8mn is related to the differential premium (to convert the land from Transport to Office) and land related costs. The lease of the development will not be extended, hence only 64 years are left currently). The land cost was estimated by management to be SGD1,113 per sqft, or SGD1,351 sqft (based on a 99-year lease). Comparably, the CapitaGreen land was purchased in 2011 at SGD1,003 per sqft (based on 99-year lease). CCT's funding of the GSCP redevelopment was SGD819.0mn (45% of the SGD1.82bn mentioned earlier. The funding split is expected to be 60% project financing (or SGD491.4mn) and 40% equity (SGD327.6mn). CCT expects to fund its equity stake in Global Office Trust via proceeds from the recent Wilkie Edge and One George Street divestments. CCT also assumed that all its SGD175mn in convertible bonds would be converted into equity, given the strike price of the bond is already in the money. As such, CCT expects its aggregate leverage to be about 35%. For now, we will hold CCT's Issuer Profile at Neutral. (Company, OCBC)

**Oxley Holdings Ltd ("OHL"):** OHL announced that it will be buying a 8,326 sqm freehold property at 231 Pasir Panjang Road for SGD121mn, with the intention to redevelop the property. We think net gearing may climb back above 2x (3QFY17: 1.89x) following this purchase and the purchase of Rio Casa for SGD575mn by its 35%-owned entity. As mentioned in our Mid-Year Credit Outlook, we think OHL's net gearing may remain elevated despite the strong cash inflows expected from Royal Wharf. As such, we continue to hold OHL at a Negative Issuer Profile. (Company, OCBC)

**Australia and New Zealand Banking Group Ltd. ("ANZ"):** ANZ is reportedly close to selling its 24% stake in AMMB Holdings (AmBank) to Malaysian retirement fund Kumpulan Wang Persaraan (Diperbadankan) (KWAP) for around USD900mn. KWAP already owns 3% of AmBank. As recently mentioned (refer [Singapore Mid-Year 2017 Credit Outlook](#)), ANZ's on-going repositioning initiatives, asset sales and cost rationalizing is expected to reinforce its capital position against earnings pressures from the competitive banking landscape and recent news on bank levies which could constrain internal capital generation going forward. Based on 1H2017 results, the transaction, if it completes at the expected price, would potentially improve ANZ's APRA compliant CET1 ratio from 10.1% to 10.4%. We see slightly better value in ANZ 3.75% '27c22 in the Aussie T2 space given spread and shorter tenor as well as lower exposure to Australia's housing sector (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)

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