

December 14, 2017

**Credit Headlines (Page 2 onwards):** Oxley Holdings Ltd, Industry Outlook – Singapore Property, ESR-REIT

**Market Commentary:** The SGD swap curve traded little changed yesterday, with the 1-year tenor trading 1bps lower, while the 5-year and 7-year tenors traded 1bps higher. Flows in SGD corporates were light yesterday. In the broader dollar space, the spread on the Itraxx Asia ex-Japan traded little changed at 70bps. 10Y UST yields fell 6bps after the Fed's decision to raise rates, but kept its rate path unchanged for 2018 and 2019. Fed Chair Yellen's comments that high asset valuations "doesn't mean that they are necessarily overvalued" and the yield curve is "likely to be flatter than it's been in the past" in her press conference also weighed down on UST yields.

**New Issues:** Charming Light Investments Ltd has priced a three-tranche deal (guaranteed by China Orient Asset Management (International) Holding Ltd, with the keepwell deed and equity interest purchase and investment undertaking provider being China Orient Asset Management Co Ltd), with the USD750mn 3-year floating rate bond priced at 3mL+115bps, tightening from initial guidance of 3mL+140bps; the USD1bn 10-year fixed rate bond priced at CT10+205bps, tightening from initial guidance of CT10+210bps area; and the USD250mn Perp NC5 priced at 4.25%, tightening from initial guidance of 4.5% area. The expected issue ratings are 'NR/Baa1/A-'. Bank of Chongqing Co Ltd has priced a USD750mn Perp NC5 AT1 at 5.4%, tightening from initial guidance of 5.75%. Huzhou City Investment Development Group Co Ltd has priced a USD300mn 3-year bond at CT3+295bps, tightening from initial guidance of CT3+325bps area. The expected issue ratings are 'NR/NR/BBB-'. CFLD (Cayman) Investment Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by China Fortune Land Development Co Ltd) from 13 Dec.

**Table 1: Key Financial Indicators**

	14-Dec	1W chg (bps)	1M chg (bps)		14-Dec	1W chg	1M chg
iTraxx Asia IG	70	-4	-11	Brent Crude Spot (\$/bbl)	62.81	0.98%	0.96%
iTraxx SovX APAC	14	0	-2	Gold Spot (\$/oz)	1,258.18	0.88%	-1.72%
iTraxx Japan	46	0	-3	CRB	183.36	-0.74%	-3.01%
iTraxx Australia	62	-2	-7	GSCI	415.83	0.29%	-1.42%
CDX NA IG	50	-1	-7	VIX	10.18	-7.62%	-12.17%
CDX NA HY	108	0	1	CT10 (bp)	2.355%	-0.87	-1.70
iTraxx Eur Main	48	0	-5	USD Swap Spread 10Y (bp)	0	-1	2
iTraxx Eur XO	234	0	-15	USD Swap Spread 30Y (bp)	-20	1	5
iTraxx Eur Snr Fin	46	-1	-7	TED Spread (bp)	26	3	7
iTraxx Sovx WE	3	0	0	US Libor-OIS Spread (bp)	17	3	7
iTraxx Sovx CEEMEA	40	-5	-13	Euro Libor-OIS Spread (bp)	2	1	-1
					14-Dec	1W chg	1M chg
				AUD/USD	0.767	2.09%	0.48%
				USD/CHF	0.985	1.01%	0.49%
				EUR/USD	1.184	0.59%	0.37%
				USD/SGD	1.346	0.39%	0.94%
Korea 5Y CDS	56	-2	-14	DJIA	24,585	1.84%	5.02%
China 5Y CDS	53	-3	-8	SPX	2,663	1.28%	3.26%
Malaysia 5Y CDS	61	-3	-8	MSCI Asiax	697	1.93%	-0.33%
Philippines 5Y CDS	61	-3	-8	HSI	29,198	3.16%	0.16%
Indonesia 5Y CDS	91	-4	-10	STI	3,458	2.07%	1.74%
Thailand 5Y CDS	46	-2	-4	KLCI	1,741	1.26%	0.41%
				JCI	6,065	0.97%	1.29%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Dec-17	Charming Light Investments Ltd	'NR/Baa1/A-'	USD750mn	3-year	3mL+115bps
13-Dec-17	Charming Light Investments Ltd	'NR/Baa1/A-'	USD1bn	10-year	CT10+205bps
13-Dec-17	Charming Light Investments Ltd	'NR/Baa1/A-'	USD250mn	Perp NC5	4.25%
13-Dec-17	Bank of Chongqing Co Ltd	Not Rated	USD750mn	Perp NC5	5.4%
13-Dec-17	Huzhou City Investment Development Group Co Ltd	'NR/NR/BBB-'	USD300mn	3-year	CT3+295bps
12-Dec-17	Yangzhou Urban Construction State-owned Assets Holding (Group) Co Ltd	'BBB/NR/BBB'	USD300mn	3-year	CT3+245bps
12-Dec-17	CIFI Holdings (Group) Co Ltd	'NR/B1/NR'	USD300mn	Perp NC3	5.375%
11-Dec-17	Rural Electrification Corporation Ltd	'NR/Baa3/BBB-'	USD400mn	3-year	CT3+115bps
7-Dec-17	Wuhan State-Owned Assets Management Limited Company	'NR/NR/A-'	USD300mn	3-year	CT3+195bps
7-Dec-17	Xinxing Industry Investment Company Limited	'NR/NR/BBB'	USD300mn	3-year	CT3+247.5bps

Source: OCBC, Bloomberg

**Rating changes (Cont'd):** Moody's has affirmed Shenzhen Expressway Company Limited's (SZEC) 'Baa2' issuer rating and senior unsecured debt rating. The outlook remains positive. The rating action follows SZEC's announced acquisition of Coastal Company through cash and debt, which is manageable within its 'Baa2' rating. Moody's has placed Scentre Group's 'A1' issuer ratings on review for a downgrade. At the same time, Moody's has placed (1) Scentre Management Limited's 'A1' Backed Senior Unsecured and Backed Senior Unsecured MTN (2) RE (NZ) Finance Limited's 'A1' Backed Senior Unsecured MTN and other short term ratings and (3) RE1 Limited's 'A1' Backed Senior Unsecured and other short term ratings on review for downgrade. The rating action follows Scentre Group's announcement that it intends to manage its financial ratios consistently with what it understands to be the requirement for Moody's 'A2' ratings, and as such, Moody's no longer expect Scentre group to de-lever to levels appropriate for the current 'A1' ratings.

## Credit Headlines:

**Oxley Holdings Ltd ("OHL"):** OHL has acquired Chevron House for SGD660mn. Chevron House has a NLA of 24,273 sqm, and OHL intends to carry out alterations and additions and asset enhancement works. As a result of the acquisition, as mentioned previously (refer to [OCBC Asian Credit Daily – 27 Nov 2017](#)), OHL's net gearing may reach 2.5x. In a separate announcement, OHL has made a USD12mn acquisition for 75% of the licensed charter capital of Phu Thinh Land Co Ltd, which is allowed by the People's Committee of Dong Nai Province to jointly develop a residential project at Dong Nai province with a state-owned construction and development company. With an aggressive credit profile, we continue to hold OHL at a Negative Issuer Profile. (Company, OCBC)

**Industry Outlook – Singapore Property:** Under the 1H2018 Government Land Sales ("GLS") Programme, 8,045 private homes (incl ECs) which will be offered represents a decline from 8,125 units in 2H2017. The GLS Programme includes 2,775 private homes on the confirmed list (decline from 2H2017's 2,840 units). According to the MND, while it sees strong demand for sites and a pick-up in transaction volumes, there is a large potential supply of around 20,000 units due to en-bloc sale and GLS sites, in addition to the current 18,000 unsold units. On the en-bloc front, Derby Court and Parkway Mansion are sold. Derby Court has been acquired by a subsidiary of Roxy-Pacific Holdings for SGD73.88mn while Parkway Mansions has been sold for SGD146.99mn to a consortium led by Sustained Land. (Straits Times, MND, OCBC)

**ESR-REIT ("EREIT"):** EREIT announced that it has acquired an 80%-sake in 7000 AMK Pte Ltd, which owns a leasehold interest in 7000 Ang Mo Kio Avenue 5, Singapore ("7000 AMK") for SGD240mn. The property is acquired from Ho Lee Properties Pte Ltd ("Ho Lee Group", a construction and property holding group). Ho Lee Group was one of the Sponsors for VIVA Industrial Trust ("VIT") and VIT held a first right of refusal on 7000 AK since IPO. In October 2017, Ho Lee Group offered VIT to buy the building as it had received an offer from a third party to buy it for SGD300mn. At that time, VIT had declined the offer due to the fundraising impact on its capital structure. 7000 AMK is a high-specifications building (tenants include Heptagon Micro Optics, SP Services and Starhub). Originally the building was acquired by Ho Lee Group from Seagate in 2011 for SGD91.5mn and since then spent SGD10mn capex for upgrades. As at 31 October 2017, Ho Lee Group had a SGD303.0mn independent valuation (on a 100% basis) on the asset. Effectively, EREIT is buying the property with a slight discount of 1% from the independent valuation. There is a potential of an additional Gross Floor Area of up to 495,000 sqft given the currently under-utilised plot ratio. This is EREIT's largest acquisition to date and the acquisition has been funded via internal cash, existing bank debt and proceeds from EREIT's perpetual and we think this would increase EREIT's aggregate leverage to ~44% (factoring in the Hyflux building acquisition completed on 13 December 2017 and two divestments). Following the 7000 AMK transaction, EREIT is proposing to issue up to 263mn of new units. Assuming EREIT raises ~SGD125.0mn, aggregate leverage may settle at ~40%. EREIT is still in the midst of asset recycling (selling older, lower yielding properties to make way for assets with higher growth prospects) and we expect the REIT to continue its aggressive stance in utilising its balance sheet. For now we are keeping EREIT's issuer profile at Neutral. (Company, Business Times, 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