

April 17, 2017

Credit Headlines (Page 2 onwards): Swissco Holdings Ltd, Ascott Residence Trust

Market Commentary: The SGD swap curve bull-flattened last Thursday, with swap rates trading 1-8bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in OUESP 3.75%'22s, GUOLSP 3.62%'21s, better selling seen in FCLSP 4.15%'27s, and mixed interest in BNP 3.65%'24s, UOBSP 3.5%'29s. The Itraxx Asia ex-Japan IG index closed at 101bps last Thursday, widening 2bps from last Wednesday's close. 10y UST held steady at 2.24% last Thursday, as markets remain cautious over rising geopolitical tensions between U.S and North Korea.

Rating Changes: S&P assigned a 'A-' corporate credit rating to Beijing Gas Group Co. Ltd. (Beijing Gas) last Thursday. The outlook is stable. The rating action reflects the company's dominant market position as the key gas distributor in Beijing and its solid financial position despite an increased appetite for acquisition in recent years. Moody's assigned Beijing Gas an 'A3' issuer rating, while Fitch assigned the company a 'A' Issuer Default Rating and senior unsecured rating, with stable outlook. S&P upgraded China Petrochemical Corp.'s (Sinopec Group) corporate credit rating and issue ratings all the outstanding notes that Sinopec Group guarantees to 'AA-' from 'A+'. In addition, S&P upgraded Sinopec Century Bright Capital Investment Ltd.'s (SCB) corporate credit rating to 'A+' from 'A', and Sinopec Group's captive insurance subsidiary Sinopec Insurance Ltd.'s issuer credit rating to 'AA-' from 'A+'. The outlook on the ratings are negative. The rating expectations reflect S&P's expectation for the company to continue to have strong operating cash flows in the next two to three years as oil prices continue to recover. S&P anticipates that Sinopec will continue to deploy its strong operating cash flows to repay debt. S&P assigned China-based telecommunications services provider Dr. Peng Telecom & Media Group Co. Ltd. (Dr Peng) a 'BB' corporate credit rating. The rating assignment reflects the company's weaker market position in China than state-owned operators', business concentration in broadband internet services, and the highly competitive telecommunications services industry in China. Moody's assigned a 'Ba2' corporate family rating to Dr. Peng as well, with stable outlook.

Table 1: Key Financial Indicators

	17-Apr	1W chg (bps)	1M chg (bps)		17-Apr	1W chg	1M chg
iTraxx Asiax IG	100	4	16	Brent Crude Spot (\$/bbl)	55.36	0.22%	6.96%
iTraxx SovX APAC	24	2	-2	Gold Spot (\$/oz)	1,291.82	2.96%	5.09%
iTraxx Japan	46	2	-6	CRB	187.77	0.53%	3.10%
iTraxx Australia	89	5	10	GSCI	401.58	1.62%	6.46%
CDX NA IG	68	2	7	VIX	15.96	28.81%	29.76%
CDX NA HY	107	0	0	CT10 (bp)	2.202%	-16.42	-29.86
iTraxx Eur Main	77	1	8	USD Swap Spread 10Y (bp)	-3	1	0
iTraxx Eur XO	294	4	18	USD Swap Spread 30Y (bp)	-41	-1	-3
iTraxx Eur Snr Fin	94	2	8	TED Spread (bp)	36	1	0
iTraxx Sovx WE	13	1	-2	US Libor-OIS Spread (bp)	22	1	-2
iTraxx Sovx CEEMEA	52	-1	-10	Euro Libor-OIS Spread (bp)	3	1	1
					17-Apr	1W chg	1M chg
				AUD/USD	0.759	1.20%	-1.47%
				USD/CHF	1.004	0.45%	-0.60%
				EUR/USD	1.062	0.25%	-1.07%
				USD/SGD	1.394	0.80%	0.57%
Korea 5Y CDS	60	7	18	DJIA	20,453	-1.01%	-1.84%
China 5Y CDS	88	5	11	SPX	2,329	-1.21%	-1.54%
Malaysia 5Y CDS	115	5	18	MSCI Asiax	584	0.10%	0.08%
Philippines 5Y CDS	86	3	9	HSI	24,262	-0.05%	1.82%
Indonesia 5Y CDS	138	6	18	STI	3,148	-0.94%	0.13%
Thailand 5Y CDS	57	3	8	KLCI	1,732	-0.45%	-0.77%
				JCI	5,610	-0.78%	3.28%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Apr-17	Oxley MTN Pte Ltd.	Not Rated	USD200mn	4-year	6.375%
12-Apr-17	CCB Life Insurance Company Ltd.	"BBB/Baa3/NR"	USD500mn	60NC5	4.5%
12-Apr-17	Daiwa Securities Group, Inc.	"A-/Baa1/NR"	USD1bn	5-year	CT5+130bps
12-Apr-17	Japan Finance Organization for Municipalities	"A+/A1/NR"	USD1bn	5-year	MS+74bps
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

Source: OCBC, Bloomberg

Rating Changes (cont'd): S&P assigned Nanjing Yang Zi State-Owned Investment Group Co. Ltd. (NYZ) a 'BBB+' corporate credit rating. The outlook is stable. According to S&P, the rating on NYZ benefits from the creditworthiness of the company's sole owner, the Nanjing municipal government. S&P also sees an extremely high likelihood that the company will receive timely and sufficient extraordinary government support if it comes under financial distress. Moody's affirmed Singapore Technologies Engineering Ltd.'s (STE) 'Aaa' issuer rating and senior unsecured rating of ST Engineering Financial I Ltd (STEF1). STEF1 is a wholly-owned and guaranteed special purpose funding subsidiary of STE. The rating action reflects STE's relatively stable operations as the company expands its presence globally and broadens its customer base through a combination of small acquisitions and the extension of its home grown activities internationally. Moody's affirmed Yanzhou Coal Mining Company Limited's (Yanzhou) 'B2' corporate family and senior unsecured rating on the bonds issued by its subsidiary, Yancoal International Resources Development Co. Limited. In addition, Moody's revised to stable from negative the outlook on these ratings. The rating action reflects Moody's expectations that average thermal coal prices in China and Australia over the next 12 to 18 months will be higher than in 2016, which will in turn support the company's EBITDA recovery and debt deleveraging.

Credit Headlines:

Swissco Holdings Ltd ("SWCH"): SWCH's Interim Judicial Manager ("IJM") announced that one of SWCH's vessels received a proposal for sale valued at USD7.2mn (net proceeds USD7.0mn). The vessel was built in 2014, and had a net book value of USD5.1mn as well as outstanding mortgage of USD2.8mn. The vessel was previously valued by an independent valuator in January 2017 in the range of USD5.0mn (assuming forced sale) and USD10.0mn (assuming market value). The disposal is subject to and conditional on shareholders' approval (the IJM is currently seeking SGX waiver on this requirement). The proceeds would be used to pay down vessel financing, which would discharge the mortgage on another vessel owned by SWCH. (Company)

Ascott Residence Trust ("ART"): ART, via its wholly-owned subsidiary, has entered into conditional sale and purchase agreements ("SPA") with Nikko Zenith GK9 and related corporations (the "Purchasers") to divest 18 rental housing properties in Tokyo. The consideration for the 18 properties amount to ~SGD154mn. The purchasers has paid a deposit equivalent to 10% of the sale price into an escrow account upon the execution of the SPA. Completion is targeted in 2Q2017. Per ART, the properties are more than 10 years in age and due for asset enhancement. The sale is in line with ART's strategy to recycle assets and re-deploy proceeds in other higher yielding assets. ART has earlier guided that post its acquisition of Ascott Orchard Singapore and the two properties in Germany, total asset base will increase to SGD5.3bn (from SGD4.8bn as at 31 December 2016) and that headline aggregate leverage will reduce from 39.8% to 37.0% on a proforma basis. We expect the Japan asset divestment to reduce investment properties by SGD126.2mn (being the independent valuation as at 31 December 2016) and ART to receive cash as consideration. We expect proforma aggregate leverage to stay relatively constant in light of the small size of this transaction vis-à-vis ART's portfolio and maintain ART at a Neutral issuer profile. (Company, OCBC)

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