

January 17, 2017

Credit Headlines (Page 2 onwards): VIVA Industrial Trust., Capitaland Ltd., Perennial Real Estate Holdings Ltd., Keppel Real Estate Investment Trust

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates rising 2-4bps across all tenors. Flows in SGD Corporates were heavy, with better buying seen in MAPLSP 4.5%'49s, BAERVX 5.9%'49s, UOBSP 3.5%'26s, better selling seen in MAPLSP 4.5%'49s, GLPSP 5.5%'49s, and mixed interest seen in UOBSP 4%'49s. In the broader dollar space, the spread on JACI IG Corporates changed little at 198bps, while the yield on JACI HY Corporates rose 2bps to 6.80%. U.S. markets were closed yesterday for U.S. public holiday. The 10y UST last closed on Friday at 2.40%.

New Issues: Yanlord Land (HK) Co. priced a USD450mn 5NC3 bond at 5.875%, tightening from initial guidance of 6.25%. The expected issue ratings are 'BB-/Ba3/NR'. Times Property Holdings Ltd. priced a USD375mn 3NC2 bond at 6.25%, tightening from initial guidance of 6.63%. The expected issue ratings are 'B/B2/B+'. Chang Development International Ltd. priced a USD100mn 3-year bond retap at CT3+230bps. The expected issue ratings are 'NR/Baa1/NR'. DBS Bank Ltd priced a EUR750mn 7-year covered bond at MS+15bps, inside of initial guidance of MS+17bps. The reoffer price of 99.34 yields 0.471% and the issue has expected ratings of "NR/Aaa/AAA". Qinghai Provincial Investment Group Co. Ltd. scheduled an investor roadshow from 16 January for a possible USD bond issuance. China Opportunity International Ltd. scheduled an investor roadshow from 17 January for a possible USD bond issuance. Vedanta Resources PLC scheduled investor roadshows for a possible USD 5.5-year bond issuance. United Photovoltaics Group Ltd. plans for investor update call for USD Bond issuance today. China Development Bank Corp. is planning for possible USD 5-year, 10-year USD bond issue, and EUR 3-year bond issuance. The expected issue ratings are 'AA-/Aa3/NR'.

Rating Changes: S&P affirmed China South City Holdings Ltd. (CSC)'s 'B' corporate credit rating and issue rating on CSC's senior unsecured notes.

Table 1: Key Financial Indicators

	17-Jan	1W chg (bps)	1M chg (bps)		17-Jan	1W chg	1M chg
iTraxx Asiax IG	116	0	-6	Brent Crude Spot (\$/bbl)	55.86	1.67%	1.18%
iTraxx SovX APAC	35	0	-3	Gold Spot (\$/oz)	1,204.61	1.41%	5.83%
iTraxx Japan	55	--	4	CRB	194.54	0.52%	1.62%
iTraxx Australia	98	0	-5	GSCI	399.85	0.42%	1.62%
CDX NA IG	66	0	-2	VIX	11.23	-0.80%	-7.95%
CDX NA HY	106	0	0	CT10 (bp)	2.365%	-1.04	-22.63
iTraxx Eur Main	69	0	-2	USD Swap Spread 10Y (bp)	-12	1	-2
iTraxx Eur XO	290	0	0	USD Swap Spread 30Y (bp)	-47	2	-4
iTraxx Eur Snr Fin	87	-1	-8	TED Spread (bp)	50	0	8
iTraxx Sovx WE	21	1	1	US Libor-OIS Spread (bp)	35	0	0
iTraxx Sovx CEEMEA	82	4	-2	Euro Libor-OIS Spread (bp)	2	-1	-2
					17-Jan	1W chg	1M chg
				AUD/USD	0.747	1.43%	3.15%
				USD/CHF	1.011	0.60%	1.63%
				EUR/USD	1.061	0.52%	1.99%
				USD/SGD	1.429	0.50%	1.41%
Korea 5Y CDS	48	0	3	DJIA	19,886	-0.39%	0.21%
China 5Y CDS	114	-1	-6	SPX	2,275	-0.10%	0.73%
Malaysia 5Y CDS	132	-2	-10	MSCI Asiax	533	0.23%	2.83%
Philippines 5Y CDS	100	-1	-9	HSI	22,718	0.71%	3.17%
Indonesia 5Y CDS	153	-1	-9	STI	3,013	1.06%	2.56%
Thailand 5Y CDS	75	-1	-3	KLCI	1,659	-0.54%	1.29%
				JCI	5,270	-0.87%	0.73%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
16-Jan-17	Yanlord Lan (HK) Co.	"BB-/Ba3/NR"	USD450mn	5NC3	5.875%
16-Jan-17	Times Property Holdings Ltd.	"B/B2/B+"	USD375mn	3NC2	6.25%
16-Jan-17	Chang Development International Ltd. (re-tap)	"NR/Baa1/NR"	USD100mn	3-year	CT3+230bps
12-Jan-17	Republic of Korea	"AA/Aa2/AA-"	USD1bn	10-year	CT10+55bps
12-Jan-17	New Rose Investments Ltd.	"NR/NR/NR"	USD200mn	3-year	4.50%
11-Jan-17	Standard Chartered Plc	"BB-/Ba1/BB+"	USD1bn	Perp NC6	7.75%
11-Jan-17	Adani Ports & Special Economic Zone Ltd.	"BBB-/Baa3/BBB-"	USD500mn	5-year	CT5+215bps
11-Jan-17	Taikang Insurance group Inc.	"NR/NR/BBB+"	USD800mn	5-year	CT5+168bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd):

In addition, S&P removed all the ratings from CreditWatch with negative implications which was placed on 31 Oct 2016. The rating action reflects S&P's view that CSC will not face imminent liquidity pressure following the sale of Co-Chairman Mr. Cheng Chung Hing's shares in CSC to Shenzhen Centralcon Investment Holding Co. Ltd. S&P assigned a 'AA-' issuer credit rating to HSBC Bank (China) Co. Ltd. (HSBC China), with a negative outlook. The rating action on HSBC China mirrors the ratings on HSBC Banking Corp. Ltd. because HSBC China is a core subsidiary of the HSBC Asia Pacific group and plays a key role in the Hong Kong-based parent's strategy in mainland China. Moody's withdrew Trillion Chance Ltd.'s Long Term Rating.

Credit Headlines:

VIVA Industrial Trust ("VITSP"): VITSP has completed the SGD96.8mn acquisition (including transaction costs) of 6 Chin Bee Avenue, a logistics property under a sale and leaseback arrangement with Sharikat Logistics Pte Ltd. The lease is a triple-net master lease agreement for 7 years (with additional 3 year option). Post transaction, weighted average portfolio occupancy will increase to 89.8% from 88.6%, with weighted average lease expiry by net rental income rising to 3.6 years from 3.3 years. We view the transaction structure which was funded on a 31:69 debt-to-equity basis as credit positive to bondholders. Of the equity portion, SGD23mn will be issued to the vendor as partial consideration. In our view, this provides alignment of interest with the VITSP. We continue to hold VITSP's issuer profile at Neutral. (Company, OCBC)

Capitaland Ltd. ("CAPL"): CAPL sold the remaining 45 units at The Nassim for SGD411.6mn, avoiding the qualifying certificate charges deadline in Aug 2017. The units were sold about 18% below the individual unit sale price, which we think indicates that the property market is still in search of a bottom, as we mentioned in our 2017 Singapore Credit Outlook. However, we think this is credit positive for CAPL, as the amount was paid in cash and would lift earnings by SGD161mn. In another announcement, CAPL announced an acquisition of a 106,000 sqm prime commercial site in the CBD of Ho Chi Minh City to develop a Grade A office building. This is in line with plans announced in November 2016 to set up a USD500mn fund in Vietnam. According to CAPL, Vietnam is its 3rd largest market in Southeast Asia, after Singapore and Malaysia. We maintain a Positive issuer profile on CAPL. (Company, Straits Times, SRX, OCBC)

Perennial Real Estate Holdings Ltd. ("PREH"): PREH was queried by the SGX on unusual price movements on the back on a 3.1% intraday fall in its share price (intraday volume was heavy and represented 1.6x of one year average). In response, the company has responded that it is not aware of any information not previously announced which if known, might explain the trading. The company added that it continues to evaluation various business opportunities in its ordinary course of business and as of 16 January no definitive agreements have been entered into. (Company, OCBC)

Keppel Real Estate Investment Trust ("KREIT"): KREIT announced that as part of preparations for its FY2016 results and review of its annual business plan, it has also reviewed the underlying methodology used to compute rent reversion percentages. Based on its review, the company notes that its methodology for calculating the rent reversion for 1H2016 and 9M2016 was not consistent with that computed for 1Q2016. It was earlier released that 1H2016 rent reversion was positive 2% and positive 3% for 9M2016. 1H2016 did not include reviewed leases and excludes one asset in Singapore and excludes all the assets in Australia. 9M2016 computation included all (but one) Singapore asset and included all Australian assets. 9M2016 also included other income (such as lease pre-termination compensation received and building advertising income). The company notes that there is no uniform market practice or prescriptive formula to calculate rent reversions to the best of its knowledge. Based on KREIT's adoption of a methodology which is consistent with 1Q2016, the rent reversions for 1H2016 and 9M2016 would have been around negative 11% and negative 9% respectively. This methodology takes into account rental income which is directly attributable to new, renewal, forward renewal and review leases for all assets in the REIT portfolio. (Company, OCBC)

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