

Jul 17, 2017

Credit Headlines (Page 2 onwards): Hotel Properties Ltd, Global Logistics Properties and China Vanke Co Ltd

Market Commentary: The SGD swap curve bull-steepened on Friday, with swap rates trading 1-4bps lower across all tenors. Flows in SGD corporates were heavy, with mixed interest seen in STANLN-4.4% 26s, STHSP 3.95%-PERPs and HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corporates traded little changed at 188bps, while the yield on JACI HY Corporates rose 2bps to 6.87%. 10y UST yields fell 1bps to 2.33% on Friday, after softer than expected CPI data dragged yields lower.

New Issues: Parkway Pantai Ltd has scheduled investor meetings for potential USD bond issuance from 17 Jul. ABM Investama Tbk PT has scheduled investor meetings for potential USD bond issuance from 17 Jul.

Rating changes: S&P has affirmed Country Garden Holdings Co Ltd's (Country Garden) 'BB' corporate credit rating and senior unsecured rating while revising the outlook to positive from stable. The rating action reflects S&P's expectation that Country Garden continues to benefit from robust sales, better operating cash flow and accelerated revenue growth that would allow the company's leverage to improve. Moody's has assigned ABM Investama Tbk (P.T.) (ABM) a corporate family and senior unsecured rating of 'Ba3'. The outlook is stable. The rating action reflects ABM's track record of maintaining strong performances, its focus on costs and prudent capital management. However, the rating is constrained by ABM's high exposure to the cyclical thermal coal industry, small scale, execution risk of extending the reserve life of its key mines and customer concentration risk. Fitch has assigned ABM Investama Tbk (P.T.) (ABM) an Issuer Default Rating and expected senior unsecured rating of 'BB-'. The outlook is stable. The rating action reflects ABM's well established and diversified operations. However, the rating is constrained due to ABM's heavy reliance on the coal industry and its rapidly depleting reserves and a concession that ends in 2021.

Table 1: Key Financial Indicators

	17-Jul	1W chg (bps)	1M chg (bps)		17-Jul	1W chg	1M chg
iTraxx Asiax IG	85	-3	0	Brent Crude Spot (\$/bbl)	49.04	4.61%	3.53%
iTraxx SovX APAC	22	-1	4	Gold Spot (\$/oz)	1,231.64	1.42%	-0.98%
iTraxx Japan	40	-2	0	CRB	176.28	2.16%	1.87%
iTraxx Australia	81	-4	-2	GSCI	373.46	1.78%	2.55%
CDX NA IG	58	-4	-2	VIX	9.51	-15.01%	-8.38%
CDX NA HY	107	1	0	CT10 (bp)	2.332%	-5.37	20.63
iTraxx Eur Main	54	-2	-1	USD Swap Spread 10Y (bp)	-5	-2	-3
iTraxx Eur XO	244	-9	13	USD Swap Spread 30Y (bp)	-34	-1	0
iTraxx Eur Snr Fin	52	-2	-9	TED Spread (bp)	27	-1	1
iTraxx Sovx WE	6	0	0	US Libor-OIS Spread (bp)	14	0	2
iTraxx Sovx CEEMEA	55	-4	4	Euro Libor-OIS Spread (bp)	3	0	0
					17-Jul	1W chg	1M chg
				AUD/USD	0.782	2.76%	2.84%
				USD/CHF	0.964	0.16%	1.19%
				EUR/USD	1.146	0.57%	2.83%
				USD/SGD	1.370	1.07%	1.23%
Korea 5Y CDS	58	-1	8	DJIA	21,638	1.04%	1.19%
China 5Y CDS	66	-4	0	SPX	2,459	1.41%	1.07%
Malaysia 5Y CDS	83	-3	0	MSCI Asiax	642	3.05%	3.55%
Philippines 5Y CDS	72	-4	-1	HSI	26,490	3.88%	3.37%
Indonesia 5Y CDS	116	-4	1	STI	3,293	1.44%	1.91%
Thailand 5Y CDS	62	-1	3	KLCI	1,758	0.03%	-1.88%
				JCI	5,836	1.11%	1.96%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Jul-17	Japan Bank for International Cooperation	'NR/A1/NR'	USD1.5bn	3-year	CT3+39bps
13-Jul-17	Japan Bank for International Cooperation	'NR/A1/NR'	USD1bn	3-year	3mL+39bps
13-Jul-17	Japan Bank for International Cooperation	'NR/A1/NR'	USD1.25bn	5-year	CT5+51bps
13-Jul-17	Japan Bank for International Cooperation	'NR/A1/NR'	USD1.25bn	10-year	CT10+67bps
13-Jul-17	Korea Gas Corporation	'AA-/Aa2/AA-'	USD400mn	5-year	CT5+90bps
13-Jul-17	Korea Gas Corporation	'AA-/Aa2/AA-'	USD400mn	10-year	CT10+90bps
13-Jul-17	Mitsui Fudosan Co Ltd	'NR/A2/NR'	USD500mn	10-year	CT10+130bps
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%

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Fitch has upgraded MIE Holding Corporation's (MIE) Issuer Default Rating to 'CC' from 'C', while downgrading the rating on its outstanding 2018 and 2019 bonds to 'C' from 'CC' and 'CCC' respectively. Fitch has also removed the company's 2019 bonds from Rating Watch Negative. The rating action reflects MIE's sizeable debt maturities and weak cash generation ability from its existing operations.

Credit Headlines:

Hotel Properties Ltd ("HPL"): HPL's 70%-owned joint venture (remaining 30% owned by Anchorage View Pte Ltd) has entered into a share purchase agreement with Gilmour S.a.r.l to acquire a freehold property at 2-8 Hanger Lane, Ealing, London for GBP39.4mn (SGD70.8mn). The property comprises a 189 key hotel. The acquisition will be funded by third party loan financing and internal resources. Together with the earlier acquisition of Four Seasons Resort Langkawi in Malaysia (refer to [OCBC Asian Credit Daily – 14 Jul 2017](#)), coupled with the new SGD150mn perpetual bond that was issued in May 2017, we expect net gearing to reach 0.45x (1Q17: 0.51x), which is still manageable in our view. We continue to hold HPL at a Neutral Issuer Profile. (Company, OCBC)

Global Logistics Properties ("GLP") and China Vanke Co. Ltd ("VNRLE"): GLP and Nesta Investment Holdings Limited (the "Offeror") have announced the proposed acquisition of all issued and paid-up ordinary shares in GLP. The Offeror is Nesta Investments Holdings ("NIHL"), which is a special purpose vehicle owned by a consortium. The consortium members and anticipated effective stakes are as follows: (1) HOPU, a private equity firm (21.3%) (2) Hillhouse Capital, an investment firm focusing on technological transformation and innovation (21.2%) (3) SMG, which is wholly-owned by GLP's CEO (21.2%) (4) VNRLE (21.4%) and (5) Bank of China Group Investment, the equity investment arm of Bank of China (15%). The proposed privatisation will be effected by way of a scheme of arrangement. The consideration is at SGD3.38 per share (all-cash deal), valuing the company at ~SGD16bn. GIC (holds ~37% of GLP) has given an irrevocable undertaking to vote in favour of the scheme. Post-transaction, GLP is expected to be delisted from the SGX and subsumed as a subsidiary of the Offeror. There are no change of control puts on the GLPSP 3.875% '25s and where GLP will end up in terms of credit rating is dependent on capital structure post-acquisition (eg: including whether acquisition debt will be pushed down, corporate guarantees etc). Most recently, GLP was rated at NR/Baa2/BBB+. We expect VNRLE to fund the 21.4% stake in GLP via debt, which amounts to SGD3.4bn (~RMB16.9bn), pushing gearing levels to ~1.0x. Bloomberg had reported that the consortium is raising ~USD4.65bn in syndicated financing. We currently hold VNRLE at a Neutral issuer profile and do not currently cover GLP. (Company, OCBC)

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