

Jul 18, 2017

**Credit Headlines (Page 2 onwards):** BNP Paribas SA, Singapore Post Ltd, CWT Ltd, CK Hutchison Holdings, First Real Estate Investment Trust, China Vanke Co Ltd

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 5-6bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPS and STHSP 3.95%-PERPs. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 189bps, while the yield on JACI HY Corporates also rose 1bps to 6.88%. 10y UST yields fell 2bps to 2.31% yesterday, as data from the US Empire State Manufacturing Survey came in lower than expected.

**New Issues:** Greenko Dutch BV has priced a two-tranche deal (guaranteed by Greenko Energy Holdings), with the USD350mn 5NC2 bond priced at 4.875%, tightening from initial guidance of 5.125%; and the USD650mn 7NC3 bond priced at 5.250%, tightening from initial guidance of 5.50%. The expected issue ratings are 'NR/Na2/BB-'. Kyobo Life Insurance Co has priced a USD500mn 30NC5 bond at 3.95%, tightening from initial guidance of 4.5%. The expected issue ratings are 'NR/A3/A-'. ENN Energy Holdings Ltd has priced a USD600mn 5-year bond at CT5+142.5bps, tightening from initial guidance of CT5+170bps. The expected issue ratings are 'BBB/Baa2/BBB'. Chong Hing Bank Ltd has priced a USD360mn 10NC5 bond at CT10+203bps, tightening from initial guidance of CT10+240bps. The expected issue ratings are 'NR/NR/BBB-'. American Honda Finance Corp has priced a three-tranche deal, with the USD750mn 1.5-year floating rate bond priced at 3mL+15bps, tightening from 3mL+25bps; the USD700mn 3-year fixed rate bond priced at CT3+45bps, tightening from initial guidance of CT3+60bps; and the USD300mn 3-year floating rate bond at 3mL+27bps. The expected issue ratings are 'NR/A1/NR'. China Jinjiang Environment Holding Company Ltd has scheduled investor meetings for potential USD bond issuance from 17 Jul. Gemdale Ever Prosperity Investment Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Famous Commercial Ltd) from 18 Jul. The expected issue ratings are 'NR/Ba3/NR'.

**Table 1: Key Financial Indicators**

	18-Jul	1W chg (bps)	1M chg (bps)		18-Jul	1W chg	1M chg
iTraxx Asiax IG	84	-3	0	Brent Crude Spot (\$/bbl)	48.53	2.13%	2.45%
iTraxx SovX APAC	22	0	4	Gold Spot (\$/oz)	1,237.69	1.64%	-0.49%
iTraxx Japan	39	-2	0	CRB	175.88	1.82%	1.63%
iTraxx Australia	80	-4	-3	GSCI	371.90	0.44%	2.12%
CDX NA IG	58	-4	-2	VIX	9.82	-11.61%	-5.39%
CDX NA HY	108	1	0	CT10 (bp)	2.300%	-6.07	14.84
iTraxx Eur Main	53	-3	-2	USD Swap Spread 10Y (bp)	-6	-1	-4
iTraxx Eur XO	239	-15	7	USD Swap Spread 30Y (bp)	-35	-1	-1
iTraxx Eur Snr Fin	51	-3	-9	TED Spread (bp)	27	-1	0
iTraxx Sovx WE	6	0	-1	US Libor-OIS Spread (bp)	14	0	2
iTraxx Sovx CEEMEA	55	-3	4	Euro Libor-OIS Spread (bp)	3	0	0
					18-Jul	1W chg	1M chg
				AUD/USD	0.789	3.35%	3.87%
				USD/CHF	0.960	0.43%	1.68%
				EUR/USD	1.153	0.56%	3.43%
				USD/SGD	1.368	1.05%	1.41%
Korea 5Y CDS	57	-2	7	DJIA	21,630	1.03%	1.15%
China 5Y CDS	66	-3	--	SPX	2,459	1.31%	1.07%
Malaysia 5Y CDS	83	-2	0	MSCI Asiax	644	2.42%	3.90%
Philippines 5Y CDS	72	-2	-1	HSI	26,413	2.07%	3.07%
Indonesia 5Y CDS	116	-4	1	STI	3,299	2.50%	2.10%
Thailand 5Y CDS	62	-1	3	KLCI	1,755	-0.02%	-2.05%
				JCI	5,825	0.89%	1.77%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
17-Jul-17	Greenko Dutch BV	'NR/Na2/BB-'	USD350mn	5NC2	4.875%
17-Jul-17	Greenko Dutch BV	'NR/Na2/BB-'	USD650mn	7NC3	5.250%
17-Jul-17	Kyobo Life Insurance Co	'NR/A3/A-'	USD500mn	30NC5	3.95%
17-Jul-17	ENN Energy Holdings Ltd	'BBB/Baa2/BBB'	USD600mn	5-year	CT5+142.5bps
17-Jul-17	Chong Hing Bank Ltd	'NR/NR/BBB-'	USD360mn	10NC5	CT10+203bps
17-Jul-17	American Honda Finance Corp	'NR/A1/NR'	USD750mn	1.5-year	3mL+15bps
17-Jul-17	American Honda Finance Corp	'NR/A1/NR'	USD700mn	3-year	CT3+45bps
17-Jul-17	American Honda Finance Corp	'NR/A1/NR'	USD300mn	3-year	3mL+27bps
13-Jul-17	Japan Bank for International Cooperation	'NR/A1/NR'	USD1.5bn	3-year	CT3+39bps

Source: OCBC, Bloomberg

**New Issues (Cont'd):** Incitec Pivot Ltd has scheduled investor meetings for potential USD bond issuance from 19 Jul. KT Corp has scheduled investor meetings for potential USD bond issuance from 20-27 Jul. DBS Group has scheduled investor meetings for potential USD 5-year green bond issuance from 17 Jul. The expected issue ratings are 'NR/Aa2/AA-'. Yinson Holdings has scheduled investor meetings for potential USD Perp issuance from 19 Jul.

**Rating Changes:** S&P has assigned China Jinjiang Environment Holding Co Ltd (CJE) a corporate credit rating and senior unsecured rating of 'BB' and 'BB-' respectively. The outlook is stable. The rating action reflects CJE's near-term capital spending, potential exposure to increasingly stringent environmental standards and declining quality of new projects. However, S&P did take into account CJE's favorable business model, strong market position, satisfactory operating record, and its strategic importance to its parent, Hangzhou Jinjiang Group Co Ltd. S&P has placed Dalian Wanda Commercial Properties Co Ltd's (Wanda Commercial) 'BBB-' corporate credit rating on CreditWatch with negative implications. S&P has also placed Wanda Commercial's subsidiary, Dalian Commercial Properties (Hong Kong) Co Ltd's (Wanda HK) 'BB+' corporate credit rating on CreditWatch with negative implications. The rating action reflects Wanda Commercial's sale of its equity interest in tourism projects, which could weaken its business position, as well as its lack of transparency over its business strategy and execution. S&P has affirmed Energy Developments Ltd's (EDL) 'BBB-' issuer credit rating, while removing the rating from CreditWatch where it was placed with positive implications. The outlook is stable. The rating action reflects EDL's parent, Cheung Kong Infrastructure Holdings Ltd's (CKI) commitment to maintaining EDL's investment-grade profile while EDL pursues growth opportunities which might require the reinvestment of operational cash flows. Moody's has affirmed Adani Abbot Point Terminal Pty Ltd's (AAPT) 'Ba2' senior secured debt and senior secured bank credit facility ratings, while changing the outlook to stable from negative. The rating action reflects AAPT's progress in renegotiating tariffs with its users as well as improved coal market conditions, which strengthens AAPT's credit profile and reduces its refinancing risk. Moody's has assigned China Jinjiang Environment Holding Co Ltd (CJE) a corporate family rating and senior unsecured rating of 'Ba2' and 'Ba3' respectively. The outlook is stable. The rating action reflects CJE's solid market position, geographically diversified waste-to-energy assets, fairly high visibility of cash flows and favourable industry policies that support its credit profile over the next one to two years. However, the rating action is constrained by CJE's overseas expansion, which could lead to higher business and regulatory risks. Moody's has assigned Gemdale Ever Prosperity Investment Limited's (Gemdale) proposed bonds that are guaranteed by Famous Commercial Limited (Famous) a senior unsecured rating of 'Ba3'. The outlook is stable. The rating action reflects the fact that the bond will not have a material impact on either Gemdale's or Famous' credit metrics as the proceeds will largely be used to repay Gemdale's existing debt. Moody's has downgraded Reward Science and Technology Industry Group Co Ltd's (Reward) corporate family rating and backed senior unsecured notes to 'B2' from 'B1'. The outlook is negative. The rating action reflects Moody's expectation that Reward's leverage will remain high, given the volatility in its operating performance and its dependence on the dairy segment for operating cash flows, as well as the low transparency in the company's financial disclosure.

## Credit Headlines:

**BNP Paribas SA ("BNPP"):** BNPP has settled allegations of currency market manipulation through 2007-2013 with the US Federal reserve for USD246mn. This adds to the USD350mn fine by New York's Department of Financial Services earlier this year (refer to [OCBC Asian Credit Daily – 25 May 2017](#)) which was also related to foreign-exchange manipulation. BNPP has stated that the total penalties of ~USD600mn can be covered by existing provisions. As at 1Q2017, BNPP had provisions for contingencies and charges of EUR12.0bn, slightly higher than disclosed in its 2016 Annual Report (EUR11.8bn) of which EUR1.64bn was allocated to provisions for litigations. Given its current provisions and recent solid earnings performance with group operating income up 5.1% y/y to EUR2.59bn for 1Q2017, we maintain our Neutral Issuer Profile on BNPP. (Company, OCBC)

## Credit Headlines (Cont'd):

**Singapore Post Ltd ("SPOST"):** SPOST has provided an update on the review of its acquisition of TradeGlobal. As mentioned previously (refer [OCBC Asian Credit Daily – 28 Jun 2017](#)), due to the sizable SGD185.0mn impairment on TradeGlobal (a relatively recent acquisition acquired late 2015), the Board formed an independent committee to review the TradeGlobal transaction and the adequacy of the financial and commercial due diligence performed for the transaction. WongPartnership LLP was hired to assist as legal counsel regarding the review, while FTI Consulting Pte Ltd was hired to assess the adequacy of the financial and commercial due diligence regarding the transaction. The full report is still being finalized, but a summary report was provided as an update. Some of the observations made by the report include:

1. Some relevant information not being communicated to SPOST's board, specifically A) the PE firm (which SPOST purchased TradeGlobal from) purchased TradeGlobal at a significantly lower price in 2013; and b) the TradeGlobal valuation was based on assumptions that were aggressive, and may have been over-optimistic.
2. Commercial due diligence was not fully documented, with no finalized commercial due diligence report issued.
3. A review of TradeGlobal's FY2013 and FY2014 performance indicated that TradeGlobal had underperformed its forecasts during those years.
4. No valuations based on historical multiples were presented to the board.

We currently hold SPOST on a Neutral Issuer Profile, and are awaiting 1QFY2018 results to be disclosed around early August. (Company, OCBC)

**CWT Ltd ("CWT"):** Earlier in June, the Chinese banking regulator was reportedly examining the leverage exposure of certain conglomerates, including HNA Group (proposed acquirer for CWT). To date, there has been no updates on the situation specifically relating to the HNA Group. On 17/7/2017, the Chinese banking regulator reportedly ordered major lenders to stop lending to Dalian Wanda ("DW") for its six overseas acquisitions. DW is one of the conglomerates involved in the earlier examination. In addition, DW is also barred from financial restructuring involving these assets and the assets are forbidden from being injected into DW's listed companies. We have no evidence to suggest that HNA Group will face the same implications as DW, though in our view, financing for the CWT deal is increasingly uncertain given the broader climate on deleveraging. Financing is an important factor in assessing risk of deal completion. We maintain that any pull back on the potential deal should see the bonds tightening from current levels. We expect CWT will go back to "business as usual" if the deal does not happen and hold our issuer profile on CWT at Neutral (South China Morning Post, OCBC)

**CK Hutchison Holdings ("CKHH"):** CKI (72%-owned by CKHH) has entered into a sale and purchase agreement with Cheung Kong Properties ("CK Prop") to buy a 25% stake in a holding company for CAD714.9mn (~HKD4.4bn). The holding company indirectly holds Reliance LP. Reliance LP is a building equipment services sector providing water heaters, heating, ventilation and air-conditioning equipment and other services to homeowners in Canada. CK Prop sits outside the CKHH corporate structure though is owned by the same major shareholders as CKHH. The consideration consist of (1) Payment of sale shares (CAD286mn/HKD1.8bn) and the (2) Assumption of a debt instrument (CAD429mn/HKD2.6bn) by CKI (loans were issued by holding company to CK Prop). No gains or losses will be recoded as the transfer of sale shares and note consideration is based on CK Prop's cost. We do not expect CKI nor CKHH to assume corporate guarantees on this transaction. Individually, the transaction is small relative to CKHH's net assets amounting to HKD544bn as at 31 December 2016. Nonetheless, CKHH has been acquisitive and taken in conjunction with other possible deals, may lift net gearing to 0.4x (31 December 2016: 0.3x) (Company, OCBC)

## Credit Headlines (Cont'd):

**First Real Estate Investment Trust ("FIRT"):** FIRT has announced its 2Q2017 and 1H2017 results. Gross revenue had increased 2.9% in 1H2017 to SGD54.6mn y/y while net property income increased 2.8% to SGD54.0mn. This was on the back of the contribution from Siloam Hospitals Labuan Bajo ("SHLB") which was acquired in end-2016. EBITDA was concurrently higher at SGD48.5mn in 1H2017 (up 3%). In 2Q2017, gross revenue and EBITDA was 1% higher q/q at SGD27.5mn and SGD24.4mn respectively. EBITDA/Interest for 2Q2017 was healthy at 5.7x. As at 30 June 2017, aggregate leverage stayed low at 31% (similar levels as 31 March 2017). Adjusting 50% of perpetual as debt, we find adjusted aggregate leverage at 33%. Short term debt is heavy at FIRT, amounting to SGD241.1mn and representing 58% of total gross debt. Of these, SGD100mn relates to the FIRTSP 4.125% '18s which is due to mature in May 2018 (another 10 months). FIRT has disclose that it is in negotiation with lenders to refinance term loan facilities due this year. Despite the strong EBITDA generation, working capital needs was high at SGD8.7mn in 1H2017, resulting in cash flows from operating activities (before interest) of only SGD32.6mn (17% down versus 1H2016). We see the accumulation of trade receivables as a sign that tenants have been delaying payments to FIRT. In a positive sign, the pace of accumulation of trade receivables has slowed down in 2Q2017. Between end-2Q2017 and end-1Q2017, trade receivables had grown 3.7% whilst between end-1Q2017 and end-2016, trade receivables had grown 55%. On the back of FIRT's still low aggregate leverage and manageable EBITDA/Interest coverage, we are keeping FIRT's issuer profile on Neutral. Nonetheless, we may adjust this downwards should the deterioration in credit profile of tenants accelerate. In FY2016, the Sponsor (also main tenant) contributed ~82% of FIRT's rental income and 13.3% was attributable to privately-held PT Metropolis Propertindo Utama, an operating partner of Siloam Hospitals. (Company, OCBC)

**China Vanke Co Ltd ("VNRKLE"):** S&P who holds VNRKLE's corporate credit rating at BBB+/Stable has opined that the credit rating is unaffected by VNRKLE's proposed acquisition of GLP. VNRKLE's expansion and diversification into the logistics sector is within their expectation. While the purchase will pressure VNRKLE's financial strength, in S&P's view, this is manageable. (S&P)

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