

February 22, 2017

Credit Headlines: OUE Ltd., Mapletree Logistics Trust

Market Commentary: The SGD swap curve changed little yesterday, with 1-year swap rates rising around 1bps. Flows in SGD corporates were heavy, with better buying seen in MFCCN 3.85%'26s, GEMAU 5.5%'19s, better selling seen in UOBSP 4%'49s, OLAMSP 4.25%'19s, MAPLSP 4.5%'49s, and mixed interest in OLAMSP 7%'49s, FCLSP 4.15%'27s. In the broader dollar space, the spread on JACI IG corporates fell roughly 1bps to 189bps while the yield on JACI HY corporates remained unchanged at 6.71%. 10y UST yields rose 2bps to 2.43%, paring earlier declines. UST yields initially declined after weaker than expected February preliminary Markit U.S. Manufacturing and Services PMIs and news of anti-euro French presidential candidate Marine Le Pen polling above 40%. UST yields began to climb after the Philadelphia Fed's Harker said a rate increase in March remains possible.

New Issues: Korea Development Bank priced a USD1.5bn 3-tranche deal; with the USD500mn 3-year piece priced at 3mL+45bps, tightening from initial guidance of 3mL+60bps; the USD500mn 5-year piece priced at CT5+82.5bps, tightening from initial guidance of CT5+105bps; and the USD500mn 5-year piece priced at 3mL+70.5bps. The expected issue ratings are 'AA/Aa2/AA-'. Xinyuan Real Estate Co. Ltd. priced a USD300mn 4-year bond at 7.95%, tightening from initial guidance of 8.5%. The expected issue ratings are 'B-/NR/B'. CITIC Ltd. priced a USD500mn 5-year bond at CT5+120bps and a USD750mn 10-year bond at CT10+142.5bps, tightening from initial guidance of CT5+150bps and CT10+170bps respectively. The expected issue ratings are 'A-/A3/NR'. Hong Kong SAR has priced a USD1bn 10-year Sukuk at CT10+68bps. The expected issue ratings are 'AAA/NR/AA+'. China Aircraft Leasing scheduled investor roadshows from 22 February for a potential USD bond issuance. China Jinmao Holdings Group Ltd. (China Jinmao) has scheduled investor calls on 21 February for a potential USD bond issue (issued by Franshion Brilliant Ltd. and guaranteed by China Jinmao). The expected issue ratings are 'NR/Baa3/BBB-'. '.

Table 1: Key Financial Indicators

	22-Feb	1W chg (bps)	1M chg (bps)		22-Feb	1W chg	1M chg
iTraxx Asiax IG	98	-3	-16	Brent Crude Spot (\$/bbl)	56.78	1.85%	2.32%
iTraxx SovX APAC	26	-1	-8	Gold Spot (\$/oz)	1,237.11	0.28%	1.55%
iTraxx Japan	53	-1	-3	CRB	192.05	0.00%	-1.01%
iTraxx Australia	86	-1	-11	GSCI	404.51	0.18%	1.28%
CDX NA IG	62	-1	-4	VIX	11.57	4.52%	0.26%
CDX NA HY	108	0	1	CT10 (bp)	2,438%	-5.53	-2.89
iTraxx Eur Main	73	2	3	USD Swap Spread 10Y (bp)	-2	4	7
iTraxx Eur XO	296	6	3	USD Swap Spread 30Y (bp)	-36	4	7
iTraxx Eur Snr Fin	93	3	6	TED Spread (bp)	54	3	-1
iTraxx Sovx WE	22	-2	3	US Libor-OIS Spread (bp)	32	1	-4
iTraxx Sovx CEEMEA	68	3	-10	Euro Libor-OIS Spread (bp)	2	0	0
					22-Feb	1W chg	1M chg
				AUD/USD	0.769	-0.22%	1.44%
				USD/CHF	1.009	-0.30%	-1.19%
				EUR/USD	1.055	-0.50%	-2.02%
				USD/SGD	1.419	-0.01%	-0.08%
Korea 5Y CDS	45	-1	-1	DJIA	20,743	1.62%	4.62%
China 5Y CDS	95	-4	-17	SPX	2,365	1.59%	4.14%
Malaysia 5Y CDS	111	-5	-19	MSCI Asiax	565	0.44%	5.42%
Philippines 5Y CDS	85	-2	-14	HSI	24,107	0.47%	5.33%
Indonesia 5Y CDS	131	-7	-19	STI	3,104	0.51%	3.09%
Thailand 5Y CDS	59	-6	-15	KLCI	1,707	-0.14%	2.55%
				JCI	5,353	-0.51%	1.88%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
21-Feb-17	Korea Development Bank	"AA/Aa2/AA-"	USD500mn	3-year	3mL+45bps
21-Feb-17	Korea Development Bank	"AA/Aa2/AA-"	USD500mn	5-year	CT5+82.5bps
21-Feb-17	Korea Development Bank	"AA/Aa2/AA-"	USD500mn	5-year	3mL+70.5bps
21-Feb-17	Xinyuan Real Estate Co. Ltd.	"B-/NR/B"	USD300mn	4-year	7.95%
21-Feb-17	CITIC Ltd.	"A-/A3/NR"	USD500mn	5-year	CT5+120bps
21-Feb-17	CITIC Ltd.	"A-/A3/NR"	USD750mn	10-year	CT10+142.5bps
21-Feb-17	Hong Kong Sukuk 2017 Ltd.	"AAA/NR/AA+"	USD1bn	10-year	CT10+68bps
20-Feb-17	UOB Group Ltd.	"NR/A3/A+"	SGD750mn	12NC7	3.50%

Source: OCBC, Bloomberg

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OUE Ltd. (“OUE”): As mentioned previously, OUE is in the process of making a mandatory offer for International Healthway Corp (“IHC”). This in turn triggered the change-of-shareholding event (notice date 17/02/17), which provides IHC bondholders the option for early redemption. As the early redemption of bonds would pressure IHC’s financial situation, IHC had approach OUE, and OUE has in turn provided a comfort letter on 17/02/17. The comfort letter stated OUE’s intent to operate IHC as a going concern, that OUE intends to review IHC’s business and financial situation and if necessary restructure the financing of IHC. As the timeline is tight for IHC bondholders to exercise their option (relevant documents have to be submitted by 04/03/17), it is likely that OUE will be providing more clarity soon as to how they intend to resolve the IHC early redemption. As mentioned previously, we are currently reviewing OUE’s Neutral Issuer Profile to consider the impact of the acquisition, and will update accordingly. (Company, OCBC)

Mapletree Logistics Trust (“MLT”): MLT has announced that it has entered into an agreement with MSS Toh Tuck Pte Ltd for the proposed divestment of 20 Old Toh Tuck Road in Singapore at a sale consideration of SGD14.25mn. As at 31 March 2016, the property was valued at SGD13.0mn. Against a portfolio of SGD5.5bn, sales proceeds from the transaction is insufficient for us to change our issuer profile. We maintain MLT at Negative as we expect aggregate leverage to remain elevated over a 6 month period, until such time there are more positive traction from its asset recycling plans. (Company, OCBC)

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