

November 22, 2017

**Credit Headlines:** Pacific Radiance Ltd, Century Sunshine Group Holdings Limited, AIMS AMP Capital Industrial REIT, Industry News - Financial Institutions

**Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 1-2bps higher across most tenors. However, the 12-year tenor traded 13bps higher. Flows in SGD corporates were heavy, with better buying seen in BACR 3.75% '30s and HRAM 3.8% '25s. In the broader dollar space, the spread on JACI IG Corp fell 2bps to 179bps, while the yield on JACI HY Corp fell 1bps to 6.93%. 10Y UST yields fell 1bps to 2.36%, as the UST yield curve continues to flatten while investors await the minutes from the Fed's November meeting.

**New Issues:** Singapore Management University has priced a SGD150mn 5-year bond at 1.945%. The expected issue ratings are 'NR/Aaa/NR'. The Export-Import Bank of China has priced a four-tranche deal, with the USD750mn 5-year bond priced at CT5+80bps, tightening from initial guidance of CT5+100bps area; the USD600mn 10-year bond priced at CT10+100bps, tightening from initial guidance of CT10+120bps area, the USD750mn 30-year bond priced at 4%, tightening from initial guidance of 4.25%; and the EUR1bn 5.5-year bond priced at MS+60bps, tightening from initial guidance of MS+75-80bps. The expected issue ratings are 'A+/A1/NR'. China State Construction Finance (Cayman) II Ltd has priced a two-tranche deal (guaranteed by China State Construction International Holdings Ltd), with the USD550mn 5-year bond priced at CT5+130bps, tightening from initial guidance of CT5+150bps area; and the USD250mn 10-year bond priced at CT10+155bps area, tightening from initial guidance of CT10+170bps area. The expected issue ratings are 'NR/Baa2/BBB+'. Union Bank of the Philippines has priced a USD400mn 5-year bond at CT5+127.5bps, tightening from initial guidance of CT5+160bps area. The expected issue ratings are 'NR/Baa2/NR'. Chiyu Banking Corporation Ltd has priced a USD250mn Perp NC5 AT1 at 5.25%, in line with initial guidance of 5.25% area.

**Table 1: Key Financial Indicators**

	22-Nov	1W chg (bps)	1M chg (bps)		22-Nov	1W chg	1M chg
iTraxx Asiax IG	77	-4	3	Brent Crude Spot (\$/bbl)	63.07	1.94%	9.21%
iTraxx SovX APAC	15	-1	0	Gold Spot (\$/oz)	1,279.87	0.14%	-0.19%
iTraxx Japan	48	-2	-1	CRB	189.83	0.41%	3.10%
iTraxx Australia	67	-2	2	GSCI	424.66	0.67%	5.54%
CDX NA IG	53	-4	0	VIX	9.73	-16.05%	-2.41%
CDX NA HY	108	1	-1	CT10 (bp)	2.356%	3.37	-2.86
iTraxx Eur Main	50	-4	-5	USD Swap Spread 10Y (bp)	0	1	3
iTraxx Eur XO	241	-11	1	USD Swap Spread 30Y (bp)	-21	3	9
iTraxx Eur Shr Fin	50	-4	-9	TED Spread (bp)	20	2	-7
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	9	0	-2
iTraxx Sovx CEEMEA	51	-2	10	Euro Libor-OIS Spread (bp)	3	0	0
					22-Nov	1W chg	1M chg
				AUD/USD	0.757	-0.22%	-3.01%
				USD/CHF	0.991	-0.26%	-0.61%
				EUR/USD	1.174	-0.47%	-0.11%
				USD/SGD	1.355	0.14%	0.51%
Korea 5Y CDS	65	-5	-5	DJIA	23,591	0.77%	1.12%
China 5Y CDS	59	-3	8	SPX	2,599	0.78%	0.92%
Malaysia 5Y CDS	67	-3	5	MSCI Asiax	715	2.91%	3.91%
Philippines 5Y CDS	67	-3	5	HSI	30,111	4.36%	5.70%
Indonesia 5Y CDS	98	-6	4	STI	3,432	1.87%	2.73%
Thailand 5Y CDS	48	-2	2	KLCI	1,728	0.27%	-0.75%
				JCI	6,054	1.37%	2.10%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
21-Nov-17	Singapore Management University	'NR/Aaa/NR'	SGD150mn	5-year	1.945%
21-Nov-17	Export-Import Bank of China	'A+/A1/NR'	USD750mn	5-year	CT5+80bps
21-Nov-17	Export-Import Bank of China	'A+/A1/NR'	USD600mn	10-year	CT10+100bps
21-Nov-17	Export-Import Bank of China	'A+/A1/NR'	USD750mn	30-year	4%
21-Nov-17	Export-Import Bank of China	'A+/A1/NR'	EUR1bn	5.5-year	MS+60bps
21-Nov-17	China State Construction Finance (Cayman) II Ltd	'NR/Baa2/BBB'	USD550mn	5-year	CT5+130bps
21-Nov-17	China State Construction Finance (Cayman) II Ltd	'NR/Baa2/BBB'	USD250mn	10-year	CT10+155bps
21-Nov-17	Union Bank of the Philippines	'NR/Baa2/NR'	USD400mn	5-year	CT5+127.5bps
21-Nov-17	Chiyu Banking Corporation Ltd	Not Rated	USD250mn	Perp NC5	5.25%
21-Nov-17	Shenzhen International Holdings Ltd	'NR/Baa2/NR'	USD300mn	Perp NC5	3.95%

Source: OCBC, Bloomberg

**New Issues (Cont'd):** Shenzhen International Holdings Ltd has priced a USD300mn Perp NC5 bond at 3.95%, tightening from initial guidance of 4.2% area. The expected issue ratings are 'NR/Baa2/NR'. Nanjing Yangzi State-owned Assets Investment Group Co Ltd has scheduled investor meetings for potential USD bond issuance from 22 Nov. The expected issue ratings are 'BBB+/Baa1/A-'. Power Finance Corp Ltd has scheduled investor meetings for potential USD 10-year green bond issuance from 23 Nov. Korea Southern Power Co Ltd has scheduled investor meetings for potential USD bond issuance from 29 Nov. King Talent Management has scheduled investor meetings for potential Perp issuance (guaranteed by Far East Horizon Ltd) from 22 Nov. The expected issue ratings are 'NR/NR/BB'. Chouzhou International Investment Ltd has scheduled investor meetings for potential bond issuance (guaranteed by Yiwu State-owned Capital Operation Co Ltd) from 22 Nov. The expected issue ratings are 'NR/Baa3/BBB'. Lodha Developers International Mauritius Ltd has scheduled investor meetings for a potential re-tap of its LODHA 12%'20s from 22 Nov. The issue ratings are 'B/B2/NR'.

**Rating Changes:** S&P has placed Toshiba Corp's (Toshiba) 'CCC-' long-term corporate credit and 'C' short-term corporate credit and commercial paper program ratings on CreditWatch with positive implications. The rating action follows Toshiba's announcement that it plans to raise funds through third party allotments, which would lower the risk of insolvency and debt restructuring in S&P's view if this financing transaction is successful. S&P has upgraded Powerlong Real Estate Holdings Ltd's (Powerlong) long-term corporate credit rating to 'B+' from 'B'. The outlook is stable. At the same time, S&P has upgraded the long-term issue rating on Powerlong's outstanding senior unsecured notes to 'B' from 'B-'. The rating action reflects S&P's view that Powerlong's asset quality has improved as its new malls are in higher-tier cities with stronger demand. Moody's has assigned ICBC International Holdings Limited (ICBC International) an 'A2' long-term issuer rating. The outlook is stable. The rating action reflects ICBC International's standalone assessment of 'Ba2' and incorporates a six notch uplift as Moody's assumes a high level of support from its parent, Industrial & Commercial Bank of China Ltd and very high level of indirect support from the Chinese government in times of stress. The standalone assessment takes into account ICBC International's niche franchise in providing advisory services and financing for large Chinese companies and strong profitability, but it is constrained by its increased balance sheet leverage due to its rapid growth, high exposure to risky investments and high asset and client concentration.

## Credit Headlines:

**Pacific Radiance Ltd ("PACRA"):** PACRA has announced that they will be holding an informal noteholders' meeting on the 15<sup>th</sup> of December 2017, to update noteholders on the progress of the on-going restructuring. This is consistent with PACRA's intentions as announced previously during their 3Q2017 results (refer to [OCBC Asian Credit Daily - 10 November 2017](#)). We will continue to monitor the situation closely. (Company, OCBC)

**Century Sunshine Group Holdings Limited ("CSG"):** During the EGM held on 21/11/17, CSG had successfully obtained shareholder approval for the injection of the part of the magnesium business that it holds directly into its partly-owned listed subsidiary, Group Sense International Limited ("GSIL"). The vote was overwhelmingly for the transaction, with 99.99% of the vote in support for the resolution. We had previously discussed the transaction in detail (refer to [OCBC Asia Credit - Century Sunshine Credit Update \(13 Sep\)](#)). In summary, we had considered the reorganization to be a credit negative for CSG bondholders due to HoldCo-OpCo subordination of the magnesium assets going forward (these will be held indirectly via GSIL). In mitigation, the founding family of CSG continues to be in control of both entities as they are officers of both CSG and GSIL, while CSG's stake in GSIL would increase. GSIL may also benefit in having better access to capital given its larger scale. The existing financial covenants on CSG's bonds also provide some investor protection. We continue to hold CSG at Neutral Issuer Profile, and believe that the risk reward profile supports an Overweight on the CENSUN'20s. The long stop date for the transaction was last disclosed to be 31/12/17. (Company, OCBC)

**AIMS AMP Capital Industrial REIT ("AAREIT"):** AAREIT announced the launch of a private placement exercise to raise at least SGD50mn in equity. The proceeds from the proposed equity placement will be used to partially repay AAREIT's existing borrowings. AAREIT expects the private placement to reduce AAREIT's aggregate leverage from 37.3% as at 30 September 2017 to ~34% on a pro forma basis. We see this transaction as a credit positive. (Company, OCBC)

## Credit Headlines (Cont'd):

**Industry News - Financial Institutions:** The Financial Stability Board ('FSB') released its updated list of global systemically important banks ('G-SIBs') yesterday. The list is published and updated annually based on changes to bank's business activities in the context of methodology from the Basel Committee on Banking Supervision ('BCBS') as well as the judgment of the FSB. Banks are organized into buckets according to their systemic importance with banks deemed to have higher systemic importance needing to hold a higher buffer requirement. Key movements included the replacement of Groupe BPCE as a G-SIB with the Royal Bank of Canada and lower capital requirements for Citigroup, BNP Paribas and Credit Suisse (less 0.5%). Conversely, Bank of China ('BOC') and China Construction Bank ('CCB') saw their systemic importance increase and their capital buffer requirements increase by 0.5% to 2.0%. That said, compliance with such requirement as part of Total Loss Absorbing Capital requirements for BOC and CCB is delayed to January 2025 for banks headquartered in emerging market economies. For banks in developed markets, compliance with higher FSB capital requirements is from January 2019. (FSB, OCBC)

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