Asian Credit Daily

January 23, 2017

Credit Headlines (Page 2 onwards): Frasers Centrepoint Trust, Cambridge Industrial Trust, Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Market Commentary: The SGD swap curve was range bound last Friday, as swap rates traded higher by 1bps on the shorter end, with the exception of the 3-year swap rate (traded lower by 1bp). Swaps remained little changed on the medium end of the curve, and higher by around 1bp on the longer end of the curve. Flows in SGD corporates were heavy, with better buying seen in MAPLSP 4.5%'49s, better selling seen in GLPSP 5.5%'49s, and mixed interest seen in GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 194bps, while the yield on JACI HY Corporates rose 3bps to 6.84%. 10y UST yield fell 1bp yesterday to 2.47%, after mixed sentiments pushed 10-year yield above 2.50% for the first time since 3 January in an hour before Trump inauguration; and subsequently erased declines as equities approached session lows and dollar weakened.

New Issues: Blue Skyview Company priced a USD 250mn NC3.5 perp (guaranteed by Hong Kong Airlines International Holdings Ltd.) at 7.125%, tightening from initial guidance of 7.3%. China Water Affairs Group Ltd. scheduled an investor roadshow from 23 January for potential USD bond issue. China Cinda Asset Management Co. Ltd. is planning to issue a multi-tranche USD bond issue.

Rating Changes: S&P revised BHP Billiton PLC and BHP Billiton Ltd.'s (together, BHP Billiton or the company) outlook to stable from negative. In addition, S&P affirmed the 'A/A-1' corporate credit ratings on the company. The rating action mirrors the improvement in S&P's forecast for commodity prices, which should notably strengthen the company's cash flow generation capacity compared to 12 months ago.

Table 1: Key Financial Indicators

	23-Jan	1W chg (bps)	1M chg (bps)		23-Jan	1W chg	1M chg
iTraxx Asiax IG	115	-1	-7	Brent Crude Spot ($/bbl)	55.60	-0.47%	0.80%
iTraxx SovX APAC	34	0	-3	Gold Spot ($/oz)	1,215.21	1.04%	7.23%
iTraxx Japan	56	1	7	CRB	194.02	-0.49%	1.83%
iTraxx Australia	98	0	-5	GSCI	399.41	-0.32%	1.92%
CDX NA IG	66	0	-1	VIX	11.54	0.00%	0.87%
CDX NA HY	106	0	0	CT10 (bp)	2.439%	4.28	-9.81
iTraxx Eur Main	69	0	-1	USD Swap Spread 10Y (bp)	-10	1	0
iTraxx Eur XO	286	-4	2	USD Swap Spread 30Y (bp)	-45	2	-1
iTraxx Eur Snr Fin	86	-1	-6	TED Spread (bp)	55	5	7
iTraxx Sovx WE	21	0	0	US Libor-OIS Spread (bp)	36	2	3
iTraxx Sovx CEEMEA	79	-4	-2	Euro Libor-OIS Spread (bp)	2	1	-1
					23-Jan	1W chg	1M chg
				AUD/USD	0.757	1.22%	5.46%
				USD/CHF	1.001	1.08%	2.56%
				EUR/USD	1.072	1.09%	2.50%
				USD/SGD	1.420	0.70%	1.89%
Korea 5Y CDS	46	-2	2	DJIA	19,827	-0.32%	-0.53%
China 5Y CDS	113	-1	-5	SPX	2,271	0.04%	0.33%
Malaysia 5Y CDS	129	-2	-11	MSCI Asiax	536	0.50%	5.92%
Philippines 5Y CDS	100	0	-11	HSI	22,886	-0.22%	6.08%
Indonesia 5Y CDS	148	-4	-10	STI	3,011	-0.46%	4.88%
Thailand 5Y CDS	74	-2	-6	KLCI	1,665	-0.46%	2.95%
				JCI	5,254	-0.35%	4.51%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Jan-17	Blue Skyview Company	"NR/NR/NR"	USD250mn	Perp NC3.5	7.125%
18-Jan-17	Republic of Philippines	"BBB/Baa2/BBB-"	USD2bn	25-year	3.70%
18-Jan-17	The Export-Import Bank of Korea	"AA/Aa2/AA-"	USD500mn	3-year	CT3+70bps
18-Jan-17	The Export-Import Bank of Korea	"AA/Aa2/AA-"	USD500mn	5-year	CT5+92.5bps
18-Jan-17	The Export-Import Bank of Korea	"AA/Aa2/AA-"	USD500mn	5-year	3mL+87.5bps
18-Jan-17	ANZ New Zealand (Int'l) Ltd.	"AA-/Aa3/AA-"	USD700mn	5-year	CT5+105bps
18-Jan-17	ANZ New Zealand (Int'l) Ltd.	"AA-/Aa3/AA-"	USD300mn	5-year	3mL+100bps
18-Jan-17	Yuzhou Properties Co. Ltd.	"NR/B1/BB-"	USD350mn	5NC3	6.10%

Source: OCBC, Bloomberg

Rating Changes (Cont'd):

S&P revised its outlook on Golden Wheel Tiandi Holdings Co. Ltd. (GW Tiandi) to negative from stable. In addition, S&P assigned a 'B' corporate credit rating to GW Tiandi and a 'B' issue rating on its senior unsecured notes. The rating action reflects GW Tiandi's higher refinancing risk because of its large maturities due in the next 12 months, and expectations for the company's financial leverage to remain high over that period, despite improved contracted sales. S&P assigned China Water Affairs Group Ltd. (CWA) its 'BB+' corporate credit rating, with stable outlook. The rating action reflects the company's monopolistic water supply position in its operating cities, exposure to evolving regulatory risk in China, lower volume risk versus other public utility services, satisfactory profit margin, and improving cash flow leverage ratio in the coming years. Moody's also assigned CWA a 'Ba1' rating, with stable outlook. In addition, Moody's assigned a 'Ba1' rating to the proposed issuance of USD senior unsecured notes issued by CWA. Moody's downgraded Dalian Wanda Commercial Properties Co. Ltd (DWCP) issuer rating to 'Baa3' from 'Baa2' and withdrew Wanda Commercial Properties (HK) Co. Limited's (Wanda HK) 'Baa3' issuer rating. In addition, Moody's assigned a 'Ba1' corporate family rating to the Wanda HK and senior unsecured ratings for the bonds issued by Wanda HK's subsidiaries to 'Ba1' from 'Baa3'. All ratings were assigned a negative outlook. The rating action reflects Moody's expectation that DWCP's debt leverage will rise while it accelerates implementation of its new business model to increase its bulk sales of malls.

Credit Headlines:

Frasers Centrepoint Trust ("FCT"): FCT reported 1QFY2017 results, with gross revenue falling 6.4% y/y to SGD44.1mn for the quarter. Performance was hindered by factors impacting previous quarters, such as lower occupancy at Northpoint due to its AEI (1Q2017: 81.1% versus 1Q2016: 96.2%) and the backfilling of vacant space at Changi City Point (1Q2017: 85.9% versus 1Q2016: 88.6%). Only two of FCT's assets saw y/y improvements to occupancy (Causeway Point and Bedok Point), with portfolio occupancy dipping from 94.5% to 91.3% y/y. Lower property expenses (due to lower tax and utility tariff rates as well as fewer maintenance works) helped to mitigate the slide in NPI, with NPI falling 5.7% y/y. On a q/q basis, there was some improvements to portfolio occupancy (4QFY2016: 89.4% versus 1QFY2017: 91.3%) with distinct improvements at Northpoint and Changi City Point. Gross revenue was still weaker q/q though (-1.2%) with Northpoint and Changi City Point showing q/q gross revenue declines despite improving occupancies (some tenants may still be in their rent-free fitting out periods). We expect FCT's portfolio occupancy (and hence gross revenue and NPI) to remain under pressure for 1H2017, as though Northpoint completed Phase 1 of its AEI in January, Phase 2 will commence in February, with management projecting occupancy plunging to 58% for 3 months (February, March and April). As for lease reversions, FCT managed an average rental reversion of +6.9%, which was commendable given the weak retail environment, but still weaker than both 1Q2017's and FY2017's reversion of +13.7% and +9.9% respectively. A positive sign would be FCT's 3 largest assets Causeway Point, Northpoint and Changi City Point seeing positive rental reversions of +10.6%, +5.5% and +12.2% respectively. Bedok Point remains weak, seeing -10.1% in rental reversions during the quarter, and facing a further 42.8% in NLA expiring over FY2017. In aggregate, FCT still faces 24.3% of its NLA lease expiring for the balance of FY2017. Aggregate leverage worsened from 28.3% to 29.7% q/q, with FCT taking SGD51mn in additional borrowings (short-term unsecured bank facilities) largely to fund its SGD37.75mn acquisition of the Yishun 10 retail podium, though it remains the lowest amongst its retail REIT peers. Cost of debt remained at 2.1%, while EBIT / Interest coverage dipped slightly q/q to 7.3x (4QFY2016: 7.4x). FCT has SGD199mn in borrowings due in FY2017, which includes SGD30mn bond due in June 2017 and SGD90mn unsecured bank loan due to DBS in June 2017. The SGD70mn secured bank loan originally due to DBS in December 2016 has been refinanced to FY2020. We expect FCT to tap the capital markets in the near future given the maturities due in June. We will retain FCT's Issuer Profile at Neutral. (Company, OCBC)

Cambridge Industrial Trust ("CREIT"): CREIT announced that it has entered into an agreement to sell 55 Ubi Avenue 3, a light industrial property for SGD22.1mn (excluding divestment costs) in line with CREIT's strategy to focus on the divestment of non-core properties. Completion is subject to approval by the Housing and Development Board and is expected to take place in May 2017. This transaction is credit neutral in our view given the small size relative to CREIT's total asset base. As at 30 September 2016, total investment properties totaled SGD1.4bn. (Company, OCBC)

Credit Headlines (cont'd):

Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("SSREIT"): SSREIT's rights issue has been fully subscribed. Valid acceptances and excess applications for a total of 649.6mn rights units were received as at close of the rights issue on 18 January 2017. This represented 209.1% of the 310.7mn new units available. The equity injection of ~SGD80mn helps alleviate immediate liquidity needs (i.e.: the 3 acquisitions announced in December 2016 amounting to SGD82mn) though SSREIT still faces heavy impending debt maturities amounting to SGD128.2mn as at 30 September 2016. Our base case assumes that SSREIT is able to refinance such debt, albeit at higher cost and/or encumbering existing assets. We are maintaining our Negative issuer profile on SSREIT. (Company, OCBC)

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