Asian Credit Daily

March 23, 2017

Credit Headlines (Page 2 onwards): CapitaLand Commercial Trust, Capitaland Mall Trust, GuocoLand Ltd, CK Hutchison Holdings Ltd

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 1-6bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in GENSSP 5.13%'49s, and mixed interests in SCISP 4.75%'49s, UOBSP 3.5%'29s. In the broader dollar space, the spread on JACI IG corporates rose 2bps to 196bps while the yield on JACI HY corporates fell 2bps to 6.67%. 10y UST yields continued its decline, falling 1bps yesterday to 2.40%, as Treasuries resumed risk-off gains as markets await details of U.S. fiscal stimulus plans. Lawmakers have signalled that any setback on the Republican health-care bill voting tomorrow could delay enactment of tax cuts and spending increases.

New Issues: The Republic of Indonesia priced a USD3bn 2-tranche debt offering yesterday; with the USD1bn 5-year piece at 3.40%, tightening from initial guidance of 3.75%; and the USD2bn 10-year piece at 4.15%, tightening from initial guidance of 4.5%. The expected issue ratings are 'NR/Baa3/BBB-'. China Zheshang Bank Co. Ltd. priced a USD2.175bn NC5 AT1 Perp at 5.45%, tightening from initial guidance of 5.7%. The expected issue ratings are 'NR/Ba1/NR'. Auto retailer Xinjiang Guanghui Industry Investment (Group) Co. Ltd. scheduled an investor call yesterday for potential USD bond issuance. The expected issue ratings are 'B-/B3/NR'. Harbin Bank Co. Ltd. has hired managers for potential USD AT1 bond issuance, while Hebei Iron & Steel Group Co. Ltd. is undergoing plans for potential USD bond issuance.

Rating Changes: S&P upgraded China-based cement producer West China Cement Ltd.'s (WCC) corporate credit rating and issue rating on the company's outstanding senior unsecured notes to 'B+' from 'B'. The rating outlook is stable. The rating action reflects S&P's expectation that the company will maintain its improved liquidity and profitability over the next 12 months.

Table 1: Key Financial Indicators

	23-Mar	1W chg (bps)	1M chg (bps)		23-Mar	1W chg	1M chg
iTraxx Asiax IG	98	10	1	Brent Crude Spot ($/bbl)	50.97	-1.49%	-9.92%
iTraxx SovX APAC	21	-5	-4	Gold Spot ($/oz)	1,245.03	1.50%	-0.36%
iTraxx Japan	46	-6	-5	CRB	183.85	0.03%	-4.06%
iTraxx Australia	91	9	6	GSCI	378.22	-1.06%	-6.32%
CDX NA IG	69	7	7	VIX	12.81	10.15%	9.39%
CDX NA HY	107	0	-1	CT10 (bp)	2.410%	-12.98	3.84
iTraxx Eur Main	77	6	3	USD Swap Spread 10Y (bp)	-4	-1	-2
iTraxx Eur XO	299	21	6	USD Swap Spread 30Y (bp)	-39	0	-2
iTraxx Eur Snr Fin	92	6	-2	TED Spread (bp)	39	-4	-15
iTraxx Sovx WE	12	-2	-9	US Libor-OIS Spread (bp)	24	0	-8
iTraxx Sovx CEEMEA	48	-14	-17	Euro Libor-OIS Spread (bp)	1	-1	-1
					23-Mar	1W chg	1M chg
				AUD/USD	0.767	-0.17%	-0.65%
				USD/CHF	0.993	0.39%	1.38%
				EUR/USD	1.079	0.18%	1.92%
				USD/SGD	1.400	0.11%	0.47%
Korea 5Y CDS	52	9	8	DJIA	20,661	-1.38%	-0.72%
China 5Y CDS	86	5	-5	SPX	2,348	-1.54%	-0.65%
Malaysia 5Y CDS	108	5	0	MSCI Asiax	583	0.40%	2.40%
Philippines 5Y CDS	86	7	3	HSI	24,375	0.36%	1.08%
Indonesia 5Y CDS	133	8	5	STI	3,125	-1.23%	-0.41%
Thailand 5Y CDS	56	5	3	KLCI	1,751	0.79%	2.72%
				JCI	5,541	0.40%	3.12%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
22-Mar-17	The Republic of Indonesia	"NR/Baa3/BBB-"	USD2bn	5-year	3.40%
22-Mar-17	The Republic of Indonesia	"NR/Baa3/BBB-"	USD1bn	10-year	4.15%
22-Mar-17	China Zheshang Bank Co. Ltd..	"NR/Ba1/NR"	USD2.175bn	Perp NC5	5.45%
21-Mar-17	Shinhan Bank	"A+/Aa3/NR"	USD500mn	5-year	CT5+120bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.5bn	5-year	CT5+100bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.0bn	5-year	3mL+115bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.5bn	10-year	CT10+155bps
20-Mar-17	Golden Legacy Pte. Ltd.	Not Rated	USD150mn	7NC4	7.00%
20-Mar-17	Rock International Investment Inc.	"B+/NR/B"	USD300mn	3-year	6.875%

Source: OCBC, Bloomberg

Rating Changes: S&P assigned a 'B-' issue rating to a proposed issue of USD-denominated senior unsecured notes by Xinjiang Guanghui Industry Investment Co. Ltd (Xinjiang). The rating action reflects the company's operations in China's highly competitive and fragmented auto retail industry, and its exposure to the volatile energy and cyclical property segments. Moody's assigned a provisional '(P)B3' rating to the proposed senior notes by Xinjiang as well. S&P assigned RCS Trust an 'A-' corporate credit rating with a stable outlook. The rating action reflects the trust's status as a highly strategic investment of its sponsor parents CapitaLand Mall Trust (CMT; 40% stake) and CapitaLand Commercial Trust (CCT; 60% stake). Moody's affirmed Adani Abbot Port Terminal Pty Ltd's (AAPT) 'Ba2' senior secured and senior secured bank credit facility ratings. The rating outlook remained at negative. The ratings action reflects the support by the company's take-or-pay contractual arrangements with AAPT's coal mining counterparties, with the contracts providing for the socialization of lost revenue in the event of counterparty default or contract termination. The provision represents an important source of financial flexibility, given AAPT's high financial leverage. Moody's affirmed DBCT Finance Pty Ltd.'s (DBCT) 'Ba2' senior secured ratings and revised the ratings outlook to stable from negative. The rating action reflects the stabilizing nature of the environment for the coal market and Moody's expectation that most of the terminal's coal mining counterparties will continue to ship volumes at a level sufficient to maintain the terminal's high utilization rate over the next 1 to 2 years.

Credit Headlines:

CapitaLand Commercial Trust ("CCT"), Capitaland Mall Trust ("CMT"): It was announced that Raffles City Singapore ("RCS") Trust, 60% owned by CCT, 40% owned by CMT, has established a USD2.0bn EMTN programme. RCS has also received a long-term corporate credit rating of "A-" by S&P. The proceeds of the notes will be used to refinance the existing borrowings of RCS Trust, to fund asset enhancement works, or for capex. As mentioned previously (refer OCBC Asian Credit Daily - 23 Jun 2016), RCS had refinanced its SGD1.07bn in borrowings via SGD1.4bn unsecured loan facilities (of which SGD1.1bn is currently drawn) provided by various banks. Subsequently, it was disclosed that these facilities had tranches with different maturities, spanning from 2018 till 2021. We estimate that RCS has SGD250mn due in 2018, SGD250mn due in 2019, SGD300mn due in 2020 and SGD300mn due in 2021. As such, the new EMTN programme could be tapped to refinance these looming maturities. RCS was last valued at SGD3.17bn (as of end-2016). As such, we estimate its debt / asset ratio to be 34.7%. (Company, OCBC)

GuocoLand Ltd ("GUOL"): GUOL is planning a potential SGD 4-year issue, with an initial price guidance at the 3.75% area. We think that the bond may price around 3.6% (Yield spread: 168bps), given the 156-171bps yield spread on GUOLSP 4.1 '20 and GUOLSP 4 '22. We believe that GUOL may continue to tap the market given its sizeable amount of short-term borrowings (end Dec 2016: SGD2.8bn), though refinancing risks is mitigated with the year-to-date issuance of SGD285mn and HKD400mn in bonds. Although GUOL reported good 2QFY2017 results for the quarter ended Dec 2016, with profits surging 58% to SGD67.6mn mainly due to disposal of a land parcel while Tanjong Pagar Centre has come on stream, net gearing has worsened to 0.96x (1QFY2017: 0.84x). We expect further deterioration in net gearing to 1.1x as GUOL continues to progressively pay for the land in Chengdu and as part of its subscription for 27% stake in Eco World International Berhad. As such, we continue to hold GUOL at a Negative Issuer Profile. (Company, Bloomberg, OCBC)

Credit Headlines (cont'd):

CK Hutchison Holdings Ltd ("CKHH"): CKHH has announced its FY2016 financials. Including proportionate share of associated companies and joint ventures, revenue was down 6% to HKD372.7bn while EBITDA stayed flat at HKD92bn. While all of its businesses (except Hutchison Telecommunications Hong Kong Holdings ("HTHKH")) reported growth in EBITDA, foreign translation impact was a drag of HKD5.4bn. Recurring earnings (before profits on disposal of investments and others, after tax) was HKD33.3bn, up 4% y/y. CKHH remains a diversified business, with only two segments individually contributing more than 10% to EBITDA, namely UK – Infrastructure at 22% and Europe-Telecom at 12%. During FY2016, dividends and distributions from associates and joint ventures amounted to HKD8.7bn. Using this plus consolidated EBITDA (ie: without proportionate share of JVs and associates) as a better proxy for cash flow before interest, tax and working capital ("CFO"), we find CFO/Gross interest healthy at 8.7x. Net gearing fell slightly to 0.28x from 0.32x as at 30 June 2016. As at 31 December 2016, CKHH has HKD71.6bn in debt due, representing 23% of total debt. We see low liquidity risk with cash balance of HKD156bn. CKHH is in the process of acquiring DUET Group, an energy utility company listed in Australia via a consortium. The consortium is made up of Cheung Kong Infrastructure ("CKI", 76%-owned listed subsidiary of CKHH), Power Assets Holdings Limited ("PAH", 29%-owned listed associate of CKHH via CKI) and Cheung Kong Property (a listed company that is outside the CKHH structure, but controlled by common major shareholders of CKHH). Effective consideration to be borne by the consortium members are as follows, CKI (40%), PAH(20%) and Cheung Kong Properties (40%). The consideration for DUET Group is expected to be ~HKD44bn and minority shareholders of all 3 companies have agreed to the proposed deal. DUET Group carries ~HKD33.3bn in net debt as at 31 December 2016, though we do not expect these to be consolidated into CKHH. PAH has declared a special dividend (~HKD4.1bn attributable to CKI) that will help CKI in partially funding its 40% portion amounting to ~HKD17.6bn. Strategically, this transaction is widely seen by market participants as beneficial to CKI/CKHH and helps diversify its operations beyond UK and Europe. The acquisition is still subject to approvals from Australia's Foreign Investment Review Board ("FIRB"). We expect CKHH's net gearing to stay around 0.3x with no change to its credit rating, should the DUET Group deal go through (Company, OCBC)

Andrew Wong
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com