

November 24, 2017

Credit Headlines (Page 2 Onwards): Nam Cheong Ltd, Oxley Holdings Ltd

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading 1-3bps lower across all tenors. Flows in SGD corporates were moderate, with better buying seen in BACR 3.75%'30s, and mixed interest seen in EREIT 4.6%-PERPs. In the broader dollar space, the Markit iTraxx Asia ex-Japan IG Index fell 1bps to 76bps. US markets were closed for the Thanksgiving holiday yesterday.

New Issues: Yankuang Group (Cayman) Ltd has priced a USD400mn 3-year bond (guaranteed by Yankuang Group Co Ltd) at 5%, tightening from initial guidance of 5.25% area. China General Nuclear Power Corporation has scheduled investor meetings for a potential USD and EUR-denominated bond issuance from 27 Nov. The expected issue ratings are 'A-/A3/A+'. Gansu Provincial Highway Aviation Tourism Investment Group Co has scheduled investor meetings for a potential EUR-denominated bond issuance from 24 Nov. The expected issue ratings are 'BBB-/NR/BBB-'. Overseas Forestry Co Ltd has scheduled investor meetings for a potential bond issuance (guaranteed by China Forestry Group Corporation) on 24 Nov.

Rating Changes: Moody's has placed Wyuna Water Pty Limited's (Wyuna Water) 'A2' provisional senior secured ratings on review for upgrade. The rating action reflects Moody's expectation that Wyuna Water's financial flexibility will improve after using the proceeds from its proposed AUD135mn senior secured bonds to refinance its existing debt. Fitch has upgraded AIA Group Limited's (AIA) Issuer Default Rating to 'AA-' from 'A+', while affirming the Insurer Financial Strength Ratings of AIA Company Limited and AIA International Limited at 'AA'. The outlook is stable. The rating action reflects Fitch's expectation that AIA will maintain its low financial leverage and strong fixed-charge coverage. As such, Fitch has closed the gap between the IDRs on the holding company and the implied insurance operating company by raising the holding company's IDR by one notch.

Table 1: Key Financial Indicators

	24-Nov	1W chg (bps)	1M chg (bps)		24-Nov	1W chg	1M chg
iTraxx Asiax IG	76	-2	1	Brent Crude Spot (\$/bbl)	63.37	1.04%	8.64%
iTraxx SovX APAC	15	0	0	Gold Spot (\$/oz)	1,292.23	-0.01%	1.23%
iTraxx Japan	47	-2	-2	CRB	191.60	1.57%	3.73%
iTraxx Australia	66	-2	1	GSCI	429.02	2.45%	6.47%
CDX NA IG	53	-2	0	VIX	9.88	-24.75%	-10.75%
CDX NA HY	108	0	-1	CT10 (bp)	2.337%	-0.70	-8.24
iTraxx Eur Main	49	-2	-5	USD Swap Spread 10Y (bp)	0	1	2
iTraxx Eur XO	238	-7	1	USD Swap Spread 30Y (bp)	-21	2	8
iTraxx Eur Snr Fin	48	-3	-9	TED Spread (bp)	19	1	-8
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	11	0	-1
iTraxx Sovx CEEMEA	48	-1	7	Euro Libor-OIS Spread (bp)	3	0	0
					24-Nov	1W chg	1M chg
				AUD/USD	0.762	0.77%	-1.98%
				USD/CHF	0.982	0.74%	0.95%
				EUR/USD	1.185	0.52%	0.77%
				USD/SGD	1.346	0.74%	1.22%
Korea 5Y CDS	63	-3	-9	DJIA	23,526	1.10%	1.08%
China 5Y CDS	59	-1	8	SPX	2,597	1.27%	1.25%
Malaysia 5Y CDS	67	-1	4	MSCI Asiax	716	1.45%	4.59%
Philippines 5Y CDS	66	-2	3	HSI	29,765	1.94%	5.72%
Indonesia 5Y CDS	98	-1	4	STI	3,435	1.55%	3.00%
Thailand 5Y CDS	48	-1	1	KLCI	1,716	-0.32%	-1.15%
				JCI	6,049	-0.05%	1.62%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
23-Nov-17	Yankuang Group (Cayman) Ltd	Not Rated	USD400mn	3-year	5%
22-Nov-17	Binhai Investment Company Ltd	'NR/NR/BBB-'	USD300m	3-year	4.45%
22-Nov-17	Hongkong International (Qingdao) Company Ltd	'NR/NR/BBB+'	USD300mn	3-year	CT3+195bps
22-Nov-17	Hongkong International (Qingdao) Company Ltd	'NR/NR/BBB+'	USD500mn	5-year	CT5+220bps
22-Nov-17	Orient HuiZhi Ltd	'NR/Baa3/NR'	USD500mn	5-year	CT5+170bps
22-Nov-17	Times Property Holdings Ltd	'B/B2/B+'	USD300mn	5NC3	6.625%
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%

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has upgraded Philippine National Bank (PNB) and Rizal Commercial Banking Corporation's (RCBC) foreign and local currency deposit ratings to 'Baa2' from 'Baa3', baseline credit assessments to 'Baa3' from 'Ba1', while affirming their Counterparty Risk Assessment at 'Baa2'. At the same time, Moody's has upgraded the rating on RCBC's senior unsecured debt and MTN program to 'Baa2' from 'Baa3'. The outlook on the ratings are stable. The rating action reflects the strong economy in the Philippines, strong debt servicing metrics of the private sector, and the banks' little reliance on short-term wholesale funding. In particular, the upgrade of PNB reflects its improved financial profile following its merger with Allied Banking Corporation, as seen through its high levels of capitalization and loan-loss coverage ratios, as well as its relatively stable funding profile. However, the ratings are balanced by PNB's low profitability. The upgrade on RCBC reflects Moody's assessment that RCBC's standalone profile has become comparable with its peers in the Philippines, as reflected by solvency and funding metrics.

Credit Headlines:

Nam Cheong Ltd ("NCL"): NCL has announced that it had despatched to Creditors the Scheme of Arrangement (dated 23/11/17) as well as other various related documents as part of their restructuring process. The Scheme Meeting for Creditors to vote on the Scheme of Arrangement will be held on 24/01/18. There are earlier deadlines (if applicable), which include submission of the Voting Instruction Form as well as the Proof of Debt by 14/12/17, as well as the deadline to submit the Proxy Form by 19/01/17. As it stands, the terms of the Scheme of Arrangement have not been made publically available for review. We will continue to monitor the situation closely given the on-going restructuring. (Company)

Oxley Holdings Ltd ("OHL"): According to the Business Times, OHL is nearing a deal to buy Chevron House (in Raffles Place) for SGD660mn (SGD2,526 psf). According to Bloomberg, back in Aug 2017, the asking price was more than SGD700mn. Meanwhile, OHL has also gone into a trading halt. We note that this is not OHL's first entry back into Singapore's commercial space with the build-up of its stake in United Engineers Ltd (currently 15%) since Aug 2017. Assuming OHL takes a 100% stake in Chevron House and funds the acquisition entirely by debt, we think that net gearing may reach 2.5x, based on its acquisitions of Mayfair Gardens (refer to [OCBC Asian Credit Daily – 20 Nov 2017](#)), Rio Casa, Pasir Panjang and Serangoon Ville (refer to [OCBC Asian Credit Daily – 2 Nov 2017](#)). We continue to hold OHL at a Negative Issuer Profile (Company, OCBC)

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