

Sep 25, 2017

Credit Headlines (Page 2 onwards): Ezion Holdings Ltd, Olam International Ltd, CapitaLand Commercial Trust

Market Commentary: The SGD swap curve traded mostly downwards on Friday, with swap rates trading 1-2bps lower across most tenors. The 12-year tenor was an exception as it traded 9bps higher. Flows in SGD corporates were heavy, with better selling seen in GEMAU 5.5%'19s and MAPLSP 4.5%-PERPs. In the broader dollar space, the spread on JACI IG Corp traded little changed at 185bps, while the yield on JACI HY Corp fell 2bps to 6.79%. 10Y UST yields fell 3bps to 2.25%, as tensions with North Korea rose and yields of gilts fell during UK PM May's Brexit speech.

New Issues: Tianjin Real Estate Group Co Ltd has priced a USD100mn 3-year bond at 4.5%, in line with earlier guidance of 4.5%.

Rating Changes: S&P has affirmed The Colonial Mutual Life Assurance Society Ltd's (CMLA) 'A+' financial strength and issuer credit rating. At the same time, S&P has affirmed Colonial Holding Co Ltd's (CHC) 'A' issuer credit rating. The outlook on the ratings are stable. The rating action reflects S&P's view that CMLA's strong competitive position and extremely strong capital adequacy continue to support its stand-alone credit profile. S&P also expects CMLA's potential new owner, AIA Group Ltd, to provide support to CMLA given that CMLA's services are complementary to AIA's existing capabilities. Moody's has assigned Nan Hai Corporation Limited (Nan Hai) a corporate family rating of 'B1'. The outlook is stable. The rating action reflects Nan Hai's profitable property development operations and the strong market position of its cinema operations. Moody's has affirmed Fubon Property & Casualty Insurance Co Ltd's (Fubon P&C) 'A3' insurance financial strength. The outlook is stable. The rating action reflects Fubon P&C's strong shareholder support, liquid investment portfolio and short-tail-focused product mix with low reserving risk. However, these strengths are offset by the insurer's weak profitability, as evidenced by its continued net losses.

Table 1: Key Financial Indicators

	25-Sep	1W chg (bps)	1M chg (bps)		25-Sep	1W chg	1M chg
iTraxx Asiax IG	81	8	3	Brent Crude Spot (\$/bbl)	56.81	2.40%	8.40%
iTraxx SovX APAC	16	-2	-4	Gold Spot (\$/oz)	1,293.15	-1.09%	0.14%
iTraxx Japan	46	4	4	CRE	183.57	-0.26%	3.23%
iTraxx Australia	73	7	0	GSCI	398.04	0.54%	5.01%
CDX NA IG	60	4	1	VIX	9.59	-5.70%	-14.98%
CDX NA HY	107	0	0	CT10 (bp)	2.253%	2.47	8.75
iTraxx Eur Main	59	9	3	USD Swap Spread 10Y (bp)	-3	0	3
iTraxx Eur XO	258	36	16	USD Swap Spread 30Y (bp)	-31	2	4
iTraxx Eur Shr Fin	60	12	5	TED Spread (bp)	31	1	-1
iTraxx Sovx WE	5	0	-1	US Libor-OIS Spread (bp)	14	-1	-1
iTraxx Sovx CEEMEA	40	0	-5	Euro Libor-OIS Spread (bp)	3	0	0
					25-Sep	1W chg	1M chg
				AUD/USD	0.796	0.06%	0.39%
				USD/CHF	0.971	-0.96%	-1.42%
				EUR/USD	1.193	-0.20%	0.05%
				USD/SGD	1.346	0.11%	0.71%
Korea 5Y CDS	72	6	13	DJIA	22,350	0.36%	2.46%
China 5Y CDS	60	7	2	SPX	2,502	0.08%	2.42%
Malaysia 5Y CDS	68	5	-5	MSCI Asia	672	-1.22%	1.75%
Philippines 5Y CDS	64	7	0	HSI	27,720	-1.56%	-0.46%
Indonesia 5Y CDS	103	10	-1	STI	3,226	-0.49%	-1.03%
Thailand 5Y CDS	51	3	-4	KLCI	1,771	-0.85%	0.11%
				JCI	5,912	1.02%	-0.06%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
22-Sep-17	Tianjin Real Estate Group Co Ltd	Not Rated	USD100mn	3-year	4.50%
21-Sep-17	Postal Savings Bank of China Co	'NR/Ba3/NR'	USD7.25bn	Perp NC5	4.50%
21-Sep-17	Newcastle Coal Infrastructure Group Pty Ltd	'BBB/NR/BBB-'	USD500mn	10-year	CT10+215bps
21-Sep-17	Hosa International	Not Rated	USD50mn	364-day	7.0%
20-Sep-17	Export-Import Bank of Korea	'AA/Aa2/NR'	SGD200mn	5-year	5YSOR+55bps
20-Sep-17	Olam International Ltd	Not Rated	JPY8bn	5-year	0.9825%
20-Sep-17	QBE Insurance Group Limited	Not Rated	USD300mn	6-year	CT6+130bps
20-Sep-17	Sunshine 100 China Holdings Ltd	Not Rated	USD235mn	3NC2	8.5%
19-Sep-17	HSBC Institutional Trust Services (Singapore) Ltd (Mapletree Logistics Trust)	Not Rated	SGD180mn	Perp NC5.5	3.65%
19-Sep-17	SP PowerAssets Ltd	'AA/NR/NR'	USD600mn	10-year	CT10+77.5bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Fitch has assigned PT Wijaya Karya (Persero) Tbk's (WIKA) an Issuer Default Rating (IDR) of 'BB'. The outlook is stable. The rating action reflects WIKA's profile as one of the largest and a diversified state-controlled construction company, as well as its importance to the government's plans for infrastructure growth. Following the downgrade of the sovereign ratings of China, S&P has downgraded the ratings of Agricultural Bank of China, China Huarong Asset Management Co Ltd, China International Holdings Ltd, China Life Insurance Co Ltd, China Life Insurance (Overseas) Co Ltd, China Reinsurance Corp Ltd, China Minsheng Banking Corp Ltd, China Mobile Ltd, China National Offshore Oil Corp, China National Petroleum Corp, China Petrochemical Corp, China Petroleum & Chemical Corp, China Property & Casualty Reinsurance Co Ltd, China Reinsurance (Group) Corp, China Shenhua Energy Co Ltd, China Southern Power Grid Co Ltd, China Three Gorges Corp, CNOOC Ltd, CRRC Corp Ltd, Kunlun Energy Co Ltd, Lionbridge Capital Co Ltd, Shenhua Hong Kong Ltd, Sinopec Century Bright Capital Investment Ltd, Sinopec Insurance Ltd, State Development & Investment Corp and State Grid Corp of China. In addition to the rating downgrade, S&P has placed the ratings on China Life Insurance Co Ltd's (China Life) and China Life Insurance (Overseas) Co Ltd on CreditWatch with negative implications as S&P views that China Life's capital adequacy would likely weaken due to the insurer's increasingly aggressive investment appetite. Following the downgrade of the sovereign ratings of Hong Kong, S&P has downgraded the ratings of the Airport Authority Hong Kong, Kowloon Canton Railway Corp, MTR Corp Ltd and Urban Renewal Authority.

Credit Headlines:

Ezion Holdings Limited ("EZI"): It was reported by the media that a bondholder holding sizable amounts of the SGD120mn EZISP'20 bond (backed by a committed funding facility by DBS), has served a notice of redemption to EZI and its bond trustee, DBS Trustee, on the basis that EZI's shares has ceased trading since 8th August 2017 ("cessation event"). Specifically, under EZISP'20's pricing doc, the clause states: *"In the event that the shares of the Issuer cease to be listed or traded on the SGX-ST, the Issuer shall, at the option of the holder of any Note, redeem such Note at its principal amount together with interest accrued to (but excluding) the date fixed for redemption being the date falling 30 days after the Effective Date. In this Condition 6(i), 'Effective Date' means the date of cessation of trading"*. The bondholder had also obtain a legal opinion from law firm Dentons Rodyk, who argued that the condition has been fulfilled. Interestingly, it is worth noting that the obligation to notify the trustee that the cessation event occurred actually falls on the issuer, EZI. Specifically, *"The Issuer shall within seven days after the Effective Date, give notice to the Trustee, the Issuing and Paying Agent and the Noteholders of the occurrence of the event specified in this paragraph"*. Referring to clause 10(a)(ii) of EZI's information memorandum, under Events of Default, *"if the Issuer fails to perform or comply with its other obligations under these Conditions or the Trust Deed and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 21 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied"*, the failure of EZI to notify the trustee given the cessation event may also constitute as an Event of Default. As such, there are several uncertainties outstanding, in which EZI should address when meeting bondholders next week (02/10/17) during the second informal securitiesholders meeting. (Straits Times, Company)

Olam International Ltd ("Olam"): Olam has sold 5,100 acres of farmland assets to Farmland Partners Inc ("FPI") for a cash consideration of USD110mn. Olam will continue to operate the orchards for 25 years under a revenue sharing agreement. The deal is expected to be completed by end-November 2017. Olam reported that it will be using the cash received to reduce its invested capital. This transaction will not have a significant impact on Olam's financials as it recorded total assets of USD23.1bn and a cash balance of 2.0bn as of 30 Jun 2017. (Company, OCBC)

Credit Headlines (Cont'd):

CapitaLand Commercial Trust ("CCT"): Some details regarding the financing of the Golden Shoe Car Park redevelopment joint venture ("GSCP JV") has been disclosed. As mentioned previously, CCT will be holding 45% of the GSCP JV, while its sponsor CapitaLand ("CAPL") would hold 45%, while the balance 10% will be held by Mitsubishi Estate Co ("MEC"). The JV will be contributing SGD728.0mn, of which SGD536.0mn would be shareholder loans to GSCP JV (paying 2.5% per annum). A further SGD1.18bn in external term and revolving loan facilities has been obtained by the GSCP JV to fund the balance of the project cost, with the GSCP JV partners undertaking to ensure compliance for these external facilities in proportion to their stake in the JV. As such, we estimate that CCT would have to contribute SGD86.4mn in equity, SGD241.2mn in shareholder loans, and take on SGD531mn in contingent liabilities (assuming that the external facilities are fully drawn on). As a recap, CCT will be selling GSCP to the JV for SGD161.1mn. After factoring this, CCT would have to contribute net ~SGD166.5mn in equity / shareholder loan to the GSCP JV, as well as take on SGD531mn in proportional liability (when fully drawn). As mentioned last week (please refer to [OCBC Asian Credit Daily - 22 Sep 2017](#)), CCT has also announced that it will be acquiring Asia Square Tower 2, in a transaction worth SGD2.1bn. As such, CCT's pro-forma aggregate leverage would potentially be higher than the 37.1% as guided by management post the Asia Square Tower 2 transaction, should we factor the impact of the GSCP JV as well. We are waiting CCT's 3Q2017 results to assess the overall impact on CCT's credit profile, though we note that the Asia Square Tower 2 acquisition is targeted to be completed in November 2017 (and hence overall impact of the various recent transactions will only be seen in the 4Q2017 results). (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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W