

May 26, 2017

Credit Headlines (Page 2 onwards): Oxley Holdings Ltd, Malayan Banking Berhad

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates falling 2-3bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in RHTSP 4.5%'18s, better selling seen in GEMAU 5.5%'19s, BAERVX 5.75%'49s, mixed interests in FCLSP 4.15%'27s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 198bps, while the yield on JACI HY corporates fell 2bps to 6.83%. 10y UST yields rose 1bps yesterday to 2.26%, with a June rate hike being further reinforced after Wednesday's minutes.

New Issues: Century Sunshine Group Holdings Ltd priced a SGD100mn 3NC2 bond at 7%. Tuan Sing Holdings Ltd priced a SGD120mn 3-year bond at 6%. Kookmin Bank priced a USD400mn 5-year bond at 3mL+95bps. Dr.Peng Holding Hongkong Ltd. priced a USD500mn 3-year bond (guaranteed by Dr.Peng Telecom & Media Group Co.) at 5.05%, tightening from initial guidance of 5.5%. The expected issue ratings are 'BB/Ba2/NR'. APL Realty Holdings Pte. Ltd. priced a USD300mn 7NC4 bond (guaranteed by PT Agung Podomoro Land Tbk and its other subsidiaries) at 5.95%, tightening from initial guidance of 6.25%. The expected issue ratings are 'NR/Ba3/BB-'. Melco Resorts Finance Ltd. (MPEL) priced a USD650mn 8NC3 bond at 4.875%, tightening from initial guidance of 5.25%. The expected issue ratings are 'BB-/Ba3/NR'. Korea East-West Power Co Ltd scheduled investor roadshows from 2 Jun for potential USD bond issuance.

Rating Changes: S&P affirmed Fujitsu Ltd.'s (Fujitsu) corporate credit rating at 'BBB+', and revised the rating outlook to positive from stable. The rating action reflects Fujitsu's progress in restructuring its businesses, which is likely to improve its profitability gradually and its key financial ratios as it continues to sell noncore hardware businesses with low profitability and reduce its costs.

Table 1: Key Financial Indicators

	26-May	1W chg (bps)	1M chg (bps)		26-May	1W chg	1M chg
iTraxx Asiax IG	90	1	-3	Brent Crude Spot (\$/bbl)	51.47	-3.99%	-0.68%
iTraxx Sovx APAC	19	-1	-3	Gold Spot (\$/oz)	1,256.51	0.05%	-1.00%
iTraxx Japan	42	-1	-3	CRB	181.15	-0.74%	-0.31%
iTraxx Australia	84	-1	3	GSCI	383.11	-2.03%	-0.05%
CDX NA IG	62	-1	-1	VIX	9.99	-31.86%	-7.93%
CDX NA HY	108	0	0	CT10 (bp)	2.245%	1.03	-5.86
iTraxx Eur Main	61	-2	-6	USD Swap Spread 10Y (bp)	-5	1	-3
iTraxx Eur XO	248	-4	-21	USD Swap Spread 30Y (bp)	-44	3	-2
iTraxx Eur Snr Fin	66	-3	-8	TED Spread (bp)	30	2	-6
iTraxx Sovx WE	8	-1	-1	US Libor-OIS Spread (bp)	12	-2	-7
iTraxx Sovx CEEMEA	44	-4	-2	Euro Libor-OIS Spread (bp)	3	0	0
					26-May	1W chg	1M chg
				AUD/USD	0.743	-0.46%	-0.66%
				USD/CHF	0.974	-0.14%	1.95%
				EUR/USD	1.119	-0.15%	2.61%
				USD/SGD	1.386	-0.02%	0.69%
Korea 5Y CDS	55	-1	1	DJIA	21,083	2.03%	0.51%
China 5Y CDS	78	0	-3	SPX	2,415	2.09%	1.16%
Malaysia 5Y CDS	100	-2	-6	MSCI Asiax	620	1.76%	4.00%
Philippines 5Y CDS	80	2	1	HSI	25,612	1.74%	4.21%
Indonesia 5Y CDS	125	2	-1	STI	3,222	0.17%	1.53%
Thailand 5Y CDS	58	2	3	KLCI	1,774	0.32%	0.28%
				JCI	5,718	1.28%	0.65%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
25-May-17	Century Sunshine Group Holdings Ltd	Not Rated	SGD100mn	3NC2	7%
25-May-17	Tuan Sing Holdings Ltd	Not Rated	SGD120mn	3-year	6%
25-May-17	Kookmin Bank	Not Rated	USD400mn	5-year	3mL+95bps
25-May-17	Dr.Peng Holding Hongkong Ltd	"BB/Ba2/NR"	USD500mn	3-year	5.05%
25-May-17	APL Realty Holdings Pte. Ltd.	"NR/Ba3/BB-"	USD300mn	7NC4	5.95%
25-May-17	Melco Resorts Finance Ltd..	"BB-/Ba3/NR"	USD650mn	8NC3	4.875%
24-May-17	National University of Singapore	Not Rated	SGD250mn	5-year	1.85%
24-May-17	RHT Health Trust (re-tap)	Not Rated	SGD60mn	RHT 4.5%'18s	99.50
24-May-17	CNRC Capitale Ltd	"NR/Baa2/BBB+"	USD600mn	Perp NC5	3.9%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Following the downgrade of Hong Kong's sovereign rating, Moody's affirmed Bank of China (Hong Kong) Limited's (BOC (Hong Kong))'s baseline credit assessment (BCA) and adjusted BCA at 'A2', China Construction Bank (Asia) Corporation Ltd's (CCB (Asia)) and Industrial and Commercial Bank of China (Asia) Ltd. (ICBC (Asia))'s BCAs and adjusted BCAs at 'Baa1', and Industrial and Commercial Bank of China (Macau) Ltd (ICBC (Macau))'s BCA at 'Baa3' and adjusted BCA at 'Baa2'. In addition, Moody's affirmed China Construction Bank (Asia) Corporation Ltd.'s (CCB (Asia)) senior unsecured debt ratings at 'A2'. Moody's also downgraded MTR Corporation Limited's (MTRC) and Kowloon-Canton Railway Corporation's (KCRC) issuer and senior unsecured ratings to 'Aa2' from 'Aa1'. In addition, Moody's downgraded the senior unsecured ratings of MTR Corporation (C.I.) Limited by one notch to 'Aa2' from 'Aa1'. The ratings outlook has been revised to stable from negative. In addition, Moody's downgraded The Hong Kong Mortgage Corporation Ltd.'s (HKMC) issuer and senior unsecured ratings to 'Aa2' from 'Aa1' and its senior unsecured MTN program ratings to '(P)Aa2' from '(P)Aa1'. The outlook on the issuer and senior unsecured debt ratings was also revised to stable from negative. Moody's affirmed JXTG Holdings Inc.'s (JXTG) 'Baa2' issuer rating and revised the rating outlook to stable from negative. The rating action reflects Moody's expectation that JXTG's credit profile will strengthen, because of its improved business profile from its merger with TonenGeneral (merged on 1 Apr 2017) and a better commodity price environment. Moody's affirmed Japan Petroleum Exploration Co. Ltd.'s (JAPEX) issuer rating at 'Baa1', and revised the rating outlook to stable from negative. The rating action reflects Moody's expectations for JAPEX's credit metrics and profitability to benefit from the recent upturn in oil prices. Moody's has affirmed SGSP (Australia) Assets Pty Ltd's (SGSPAA) and Jemena Limited's (Jemena)'s 'A3' senior unsecured debt ratings and Jemena's '(P)A3' senior unsecured MTN program ratings. Moody's also affirmed SGSPAA's 'A3' issuer and '(P)A3' senior unsecured MTN program ratings. In addition, Moody's revised the outlook on the ratings to negative from stable. The rating action reflects the downward pressure on SGSPAA's 'A3' rating following the downgrade of State Grid International Development Limited's (SGID, owns 60% of SGSPAA) rating to 'A2' from 'A1' on May 24. According to Moody's, SGID's downgrade indicates a reduction in its capacity to provide timely support to SGSPAA. Fitch downgraded Noble Group Limited's (Noble) Foreign-Currency Issuer Default Rating (IDR), senior unsecured rating, and the ratings on all its outstanding senior unsecured notes to 'B-' from 'BB-'. In addition, the ratings have been placed on Rating Watch Negative. The rating actions reflect the need for Noble to address debt maturities of USD2.0-2.1bn over the next 12 months. Moreover, Fitch added that the continuous negative news about the company and resultant weak sentiment is likely to make refinancing negotiations more difficult than expected. Fitch affirmed China Shenhua Energy Company Limited's (Shenhua) Foreign-Currency Issuer Default Rating (IDR) at 'A+', and revised the outlook to stable from negative. The rating action reflects the company's better-than-forecast credit metrics in 2016, and Fitch's expectation the company will continue to deleverage after 2017.

Credit Headlines:

Oxley Holdings Ltd ("OHL"): OHL was part of a consortium that acquired Rio Casa (a former HUDC estate in Hougang) via a collective sale, with OHL holding a 35% stake. Other partners include KSH Holdings (35%), Lian Beng Group (20%) and the private investment firm of the founders of Super Group (10%). The purchase price was SGD575mn. The consortium intends to pay a further ~SGD208mn premium to the State to top-up the land lease to 99 years, as well as to increase the gross plot ratio to 2.8. The maximum gross floor area ("GFA") for the development is 1.1mn sqft, as such the land cost works to be SGD706 psf ppr. Factoring the 10% balcony bonus GFA land cost reduces to SGD669 psf ppr. Knight Frank estimated a gross development value of SGD1.4bn across potentially 1,400 units. OHL's share of the land cost is ~SGD274mn. As mentioned in our [OCBC Asian Credit Daily – 07 Apr 2017](#), our Neutral Issuer Profile is premised on OHL's commitment to deleverage. With the recent USD denominated bond issue raising USD300mn (including the retap), OHL has raised an amount significantly larger than needed to refinance its existing SGD150mn OHLSP '17s. This new JV could indicate that OHL may refocus on deploying capital towards new developments. As such, we are currently reviewing OHL's Issuer Profile. (Company, OCBC)

Credit Headlines (cont'd):

Malayan Banking Berhad ("Maybank"): Maybank reported its 1Q2017 results with total operating income of MYR6.9bn up 3.2% y/y and 4.1% q/q. This was driven by a 5.4% y/y increase in net interest income from higher loan volumes as well as improved net interest margins as well as a 24.2% rise in income from Islamic Banking operations. This helped mitigate the 15.4% y/y fall in other operating income, which resulted from lower unrealized mark-to-market gain on revaluation of financial assets, liabilities and derivatives. Overhead expenses rose 7% y/y due to higher personnel, administration and general expenses with the cost to income ratio deteriorating slightly to 50.3% (1Q2016: 48.4%). However, allowances for impairment losses on loans, advances, financing and other debts dropped materially by 37.3% y/y and translated to a 16.6% y/y improvement in operating profit to MYR2.2bn. Of note is the y/y and q/q divergent movements in allowances for impairment losses with the y/y fall driven by lower collective allowances while the q/q fall in allowances of 11.9% was mainly due to lower net individual allowances made (offset by a rise in net collective allowances). By segment contribution for operating income, Community Financial Services improved 9.0% y/y (higher net interest income and lower allowances), while Corporate Banking declined 4.6% y/y and Investment Banking fell 6.3% y/y (lower other operating income) and as a result, the contribution of Community Financial Services to total operating income rose to 47.5% in 1Q2017 from 45.0% in 1Q2016. Maybank's balance sheet continues to show solid growth trends with net loans and advances up 9.8% y/y and stable q/q and while lower allowances indicate some stabilization of Maybank's loan book quality. Net impaired loans however rose during the quarter by 6.4% and combined with stable loan balances the impaired loans ratio rose to 1.62% for 1Q2017 (4Q2016: 1.53%). That said, new loans impaired in 1Q2017 fell y/y and q/q. This supports the stabilization trend in loan quality. Maybank's capital ratios remain solid and well above minimum requirements with Maybank's CET1/CAR ratios before proposed dividend at 13.4%/18.9% for 1Q2017 (14%/19.3% for FY2016). Ratios were impacted by a marginal q/q fall in capital due to regulatory adjustments on CET1 capital while risk weighted assets rose 1.4% q/q. In all, the results were resilient in our view. Management remain positive on the operating environment in 2017 for Maybank. Combined with Maybank's strong business position, we expect earnings capacity to remain robust and therefore maintain our Neutral Issuer Profile on Maybank. (Company, OCBC)

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