

Jun 28, 2017

**Credit Headlines (Page 2 onwards):** Keppel Corp, Singapore Post Ltd

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 2-3bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, WINGTA 4.08%-PERPs and STHSP 3.95%-PERPs, and better selling seen in OUESP 4.25%'19s. In the broader dollar space, the spread on JACI IG corporates fell by 2bps at 193bps while the yield on JACI HY Corporates fell by 1bp to 6.80%. 10y UST yields rose by 7bps to 2.21%, as European Central Bank President Mario Draghi hinted that subdued inflation is temporary "that typically the central bank can look through". Meanwhile, Federal Reserve Chairwoman Janet Yellen continued to signal that the U.S. economy can withstand higher interest rates and said that asset valuations were rich.

**New Issues:** FH REIT Treasury Pte Ltd priced a SGD120mn 5-year bond (guaranteed by Frasers Hospitality REIT) at 2.63%. Perennial Treasury Pte Ltd priced a SGD100mn 3-year bond (guaranteed by Perennial Real Estate Holdings Ltd) at 3.85%, tightening from initial guidance of 4%. Shimao Properties Holdings Ltd priced a USD150mn re-tap on its existing SHIMAO 4.75%'22s at 100.5. Melco Resorts Finance Ltd priced a USD350mn re-tap of its existing MPEL 4.875%'25s at 100.75. Korea Development Bank priced a USD300mn 5-year green bond at 3mL+72.5bps, tightening from an initial guidance of 3mL+90bps area. The expected issue ratings are 'AA/Aa2/AA-'. Skyland Mining (BVI) Ltd has priced a USD500mn 3-year bond (guaranteed by China Gold International Resources Corp) at CT3+185bps, tightening from initial guidance of CT3+210bps. The expected issue ratings are 'BBB-/NR/NR'. Swire Pacific MTN Financing Ltd has priced a USD300mn 7-year bond (guaranteed by Swire Pacific Ltd) at CT7+105bps, tightening from initial guidance of CT7+125bps. The expected issue ratings are 'NR/A3/NR'. HSBC Holdings Plc has priced a EUR1.25bn Perp NC12 AT1 note issue at 4.75%, tightening from initial guidance of 5.125%. The expected issue ratings are 'NR/Baa3/BBB'. Shandong Yuhuang Chemical has scheduled investor meetings for the potential issuance of USD bonds from 27 Jun. Hindustan Petroleum Corp Ltd also plans to issue USD bonds.

**Table 1: Key Financial Indicators**

	28-Jun	1W chg (bps)	1M chg (bps)		28-Jun	1W chg	1M chg
iTraxx Asiax IG	85	-1	-6	Brent Crude Spot (\$/bbl)	46.63	4.04%	-10.58%
iTraxx SovX APAC	19	1	0	Gold Spot (\$/oz)	1,253.17	0.54%	-1.18%
iTraxx Japan	39	0	-3	CRB	170.01	0.21%	-6.59%
iTraxx Australia	83	-2	-2	GSCI	359.65	1.97%	-6.71%
CDX NA IG	62	-1	-1	VIX	11.06	1.84%	12.74%
CDX NA HY	107	0	-1	CT10 (bp)	2.198%	3.47	-4.84
iTraxx Eur Main	55	-1	-7	USD Swap Spread 10Y (bp)	-3	1	0
iTraxx Eur XO	237	4	-13	USD Swap Spread 30Y (bp)	-32	2	12
iTraxx Eur Snr Fin	53	-7	-14	TED Spread (bp)	29	3	2
iTraxx Sovx WE	6	0	-3	US Libor-OIS Spread (bp)	13	0	1
iTraxx Sovx CEEMEA	53	-3	11	Euro Libor-OIS Spread (bp)	3	0	0
					28-Jun	1W chg	1M chg
				AUD/USD	0.761	0.71%	2.24%
				USD/CHF	0.960	1.32%	1.87%
				EUR/USD	1.135	1.63%	1.67%
				USD/SGD	1.386	0.25%	0.03%
Korea 5Y CDS	52	-1	-4	DJIA	21,311	-0.73%	1.09%
China 5Y CDS	68	-1	-10	SPX	2,419	-0.72%	0.15%
Malaysia 5Y CDS	84	-3	-17	MSCI Asiax	630	0.84%	1.44%
Philippines 5Y CDS	76	-2	-4	HSI	25,672	-0.09%	0.13%
Indonesia 5Y CDS	115	-4	-11	STI	3,204	-0.80%	-0.47%
Thailand 5Y CDS	61	0	3	KLCI	1,774	-0.85%	0.07%
				JCI	5,830	0.92%	1.73%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
27-Jun-17	FH REIT Treasury Pte Ltd	Not Rated	SGD120mn	5-year	2.63%
27-Jun-17	Perennial Treasury Pte Ltd	Not Rated	SGD100mn	3-year	3.85%
27-Jun-17	Shimao Property Holdings Ltd (re-tap)	Not Rated	USD150mn	SHIMAO 4.75%'22	100.5
27-Jun-17	Melco Resorts Finance Ltd (re-tap)	Not Rated	USD350mn	MPEL 4.875%'25	100.75
27-Jun-17	Korea Development Bank	'AA/Aa2/AA-'	USD300mn	5-year	3mL+72.5bps
27-Jun-17	Skyland Mining (BVI) Ltd	'BBB-/NR/NR'	USD500mn	3-year	CT3+185bps
27-Jun-17	Swire Pacific MTN Financing Ltd	'NR/A3/NR'	USD300mn	7-year	CT7+105bps
27-Jun-17	HSBC Holdings Plc	'NR/Baa3/BBB'	EUR1.25bn	Perp NC12	4.75%

Source: OCBC, Bloomberg

**Rating Changes:** S&P affirmed Japan-based general trading and investment company Marubeni Corp.'s (Marubeni) 'BBB' corporate credit and senior unsecured debt ratings. In addition, S&P revised the company's rating outlook to stable from negative. S&P has revised the outlook on Power Construction Corp. of China (PCC) to negative from stable. At the same time, S&P has affirmed their 'BBB+' corporate credit rating. The rating action reflects S&P's expectation that PCC will continue to undertake substantial capital expenditure (capex) in investment projects in the general infrastructure sector and in power assets. Moody's downgraded FWD Limited's (FWD) issuer and senior unsecured debt ratings to 'Baa3' from 'Baa2'. The rating outlook for FWD is now stable following the downgrade. The rating action reflects Moody's view that the diversification benefits to holding company creditors gained through the contributions of dividends from its subsidiaries have become, and will remain, less evident relative to the Group's interest expenses.

## Credit Headlines:

**Keppel Corp ("KEP"):** Keppel DC REIT ("KDCREIT"), an associated company of KEP, has announced that it had set up a SGD500mn MTN programme, under which it expects to issue maiden bonds. The proceeds are expected to be used for financing or refinancing acquisitions. For end-1Q2107, KDCREIT reported 27.9% in aggregate leverage. (Company)

**Singapore Post Ltd. ("SPOST"):** SPOST published its annual report for the fiscal year ending March 2017. The chairman's letter to shareholders highlighted the impairments taken during the fiscal year (refer [OCBC Asian Credit Daily – 15 May 2017](#)), particularly the SGD185.0mn impairment on TradeGlobal. As the transaction was relatively recent (2015) yet the impairments were sizable, the Board formed an independent committee to review the TradeGlobal transaction and the adequacy of the financial and commercial due diligence performed for the transaction. The findings are expected to be released before the AGM in July. SPOST had also taken a SGD20.6mn impairment over its Famous Holdings stake (which SPOST acquired in stages between 2013 and 2015). (Company, OCBC)

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