

January 3, 2017

Credit Headlines (Page 2 onwards): ASL Marine Ltd., Frasers Hospitality REIT, Cambridge Industrial Trust, Sabana Shari'ah Compliant Industrial REIT, Australia and New Zealand Banking Group Ltd., Industry Outlook – Singapore Property

Market Commentary: The SGD swap curve was range-bound yesterday as the market was closed due to public holiday. Flows in the SGD corporates were muted. In the broader dollar space, the spread on JACI IG Corporates were steady at 197bps. Likewise, the yield on JACI HY Corporates were also unchanged at 6.96%. Similarly, the US market was closed yesterday due to public holiday with the 10y UST yield last closed at 2.44% on Friday December 30th.

New Issues: R&F Properties has priced a USD265mn 5-year bond, non-callable for 3-year at 5.95%. The expected issue ratings are "NR/NR/BB". China Huarong Asset Management is proposing to issue up to CNY60bn bonds in China's interbank bond market.

Table 1: Key Financial Indicators

	3-Jan	1W chg (bps)	1M chg (bps)		3-Jan	1W chg	1M chg
iTraxx Asiax IG	121	0	-2	Brent Crude Spot (\$/bbl)	56.82	3.01%	4.33%
iTraxx Sovx APAC	36	-1	-4	Gold Spot (\$/oz)	1,150.12	1.00%	-1.73%
iTraxx Japan	58	9	2	CRB	192.51	1.16%	0.43%
iTraxx Australia	103	1	-5	GSCI	398.20	1.59%	3.06%
CDX NA IG	68	1	-4	VIX	14.04	22.83%	-0.57%
CDX NA HY	106	0	1	CT10 (bp)	2.444%	-9.30	6.12
iTraxx Eur Main	72	2	-6	USD Swap Spread 10Y (bp)	-11	0	4
iTraxx Eur XO	288	5	-38	USD Swap Spread 30Y (bp)	-48	-4	6
iTraxx Eur Snr Fin	93	2	-14	TED Spread (bp)	50	1	5
iTraxx Sovx WE	21	0	-3	US Libor-OIS Spread (bp)	33	-1	0
iTraxx Sovx CEEMEA	80	-2	-18	Euro Libor-OIS Spread (bp)	3	0	-1
					3-Jan	1W chg	1M chg
				AUD/USD	0.720	0.19%	-3.65%
				USD/CHF	1.023	0.49%	-1.62%
				EUR/USD	1.047	0.11%	-2.75%
				USD/SGD	1.450	-0.05%	-2.16%
Korea 5Y CDS	44	0	-2	DJIA	19,763	-0.78%	3.09%
China 5Y CDS	118	-1	3	SPX	2,239	-0.98%	2.14%
Malaysia 5Y CDS	138	-2	-15	MSCI Asiax	515	1.75%	-1.36%
Philippines 5Y CDS	110	-1	-6	HSI	22,001	0.87%	-2.50%
Indonesia 5Y CDS	158	-1	-14	STI	2,881	-0.04%	-1.32%
Thailand 5Y CDS	78	-1	-10	KLCI	1,642	1.14%	0.78%
				JCI	5,297	5.03%	0.97%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
03-Jan-17	R&F Properties	"NR/NR/BB"	USD265mn	5NC3	5.95%
13-Dec-16	Shandong Ruyi Technology Group	"B-/B3/NR"	USD250mn	3-year	8.2%
13-Dec-16	L.R. Capital Global Markets	"NR/NR/NR"	USD150mn	3-year	5%
12-Dec-16	BOCOM Financial Leasing	"A2/NR/NR"	USD150mn	5-year	3.5%
12-Dec-16	BOCOM Financial Leasing	"A2/NR/NR"	USD150mn	7-year	4.5%
9-Dec-16	Danyang Investment	"NR/NR/NR"	USD220mn	3-year	5.85%
9-Dec-16	Fujian Zhanglong Group Co. Ltd.	"NR/NR/BB+"	USD150mn	3-year	4.8%
8-Dec-16	Changde Urban Construction & Inv.	"NR/NR/BBB-"	USD250mn	3-year	CT3+280bps
8-Dec-16	China Grand Automotive Services	"NR/NR/B+"	USD300mn	Perp-NC3	9%

Source: OCBC, Bloomberg

Credit Headlines:

ASL Marine Ltd. (“ASL”): ASL has formally commenced its consent solicitation exercise. The terms have been sweetened relative to the tentative terms first proposed. The ASLSP’17s had a higher initial step-up in coupon to make the coupon closer to the ASLSP’18s. The interest coverage covenant was loosened to 2.0x (compared to removed outright). Finally, management had conceded to providing security to bondholders (a subordinated floating charge over a group of vessels mortgaged to secure the club term loan facility). We are reviewing the details and will revert in the near future. (Company, OCBC)

Frasers Hospitality REIT (“FHT”): FHT has announced that current CFO Ms. Foo Meei Foon will be resigning from FHT as she will be assuming wider responsibilities within the hospitality unit of Frasers Centrepoint Limited. Ms Josephine Lee who is most recently the Financial Controller of the REIT Manager will be appointed as the new CFO. (Company, OCBC)

Cambridge Industrial Trust (“CREIT”): Dr. Chua Yong Hai (currently Chairman of the board) and Mr. Tan Guong Ching (currently Chairman of the Nominating and Remuneration Committee) are both retiring. Both have served for ~9 years. The current Chairman of CREIT’s Audit, Risk Management and Compliance Committee (“ARCC”), Mr. Ooi Eng Peng will be appointed as Chairman of the board while Mr. Bruce Kendle Berry, currently a member of the ARCC will be appointed as Chairman of the ARCC. Mr. Erle William Spratt will be appointed as a new Independent Director (subject to MAS’ approval). All three new appointees spent significant amount of time with Lend Lease (including its JVs and subsidiaries). No publicly available information has come to our attention that the changes at the board level are linked to shareholding changes at both the REIT and REIT manager level. Nevertheless, we think the appointments may aid CREIT’s efforts to grow in Australia, despite being informed by Commercial and General, its earlier Australian joint venture partner, of the latter’s intention to discontinue the partnership. (Company, OCBC)

Sabana Shari’ah Compliant Industrial REIT (“SSREIT”): On 20th December 2016, SSREIT announced that it is undertaking a renounceable and underwritten rights issue to raise gross proceeds of ~SGD80.2mn. For unitholders that don’t subscribe the dilution is 42%. Net proceeds from the equity raising is intended to partially finance the proposed acquisition by SSREIT of 3 properties announced in December 2016. Vibrant Group Limited (the Sponsor), Singapore Enterprises Private Limited (the Sponsor’s wholly-owned subsidiary), the REIT Manager and two controlling shareholders of the Sponsor have undertaken to fully take up their pro-rata entitlement aggregating ~12.1% of the rights issue. In addition, the Sponsor will also subscribe for up to 25.9mn in excess rights units (~8.35% of the total rights issue). Tong Jinquan (ie: currently the single largest unitholder of the REIT) and his related entities is not part of the undertaking. As this equity deal is fully underwritten (at SGD0.258, representing a 48.9% discount to closing price), we see the equity injection as near certain. The equity injection alleviates SSREIT’s immediate liquidity needs and helps keep aggregate leverage below 45%. Nonetheless, we see SSREIT’s future financial flexibility as hampered on a standalone basis. We are maintaining our Negative issuer profile on SSREIT and lowering our Neutral call on the ‘18s and ‘19s to Negative as we see downside risk. As at 3 January 2017, SSREIT’s ‘18s and ‘19s are trading at an ask YTM of 5.7% and 6.6% respectively. (Company, OCBC)

Credit Headlines:

Australia and New Zealand Banking Group Ltd. ("ANZ"): ANZ has announced the sale of its 20% stake in Shanghai Rural Commercial Bank for AUD1.84bn. This announcement follows the October 2016 announcement of the sale of its Asian retail and wealth management businesses in Singapore, Indonesia, Taiwan, Hong Kong and China to DBS Group Holdings Ltd. The divestments are consistent with ANZ's previously announced strategy of re-focusing on core businesses in Australia and New Zealand and selectively concentrating on more profitable segments in Asia. ANZ expects its APRA compliant CET1 capital ratio to increase by ~40 basis points from the sale. Combined with the expected capital increase by ~15-20 basis points from its October announcement, ANZ's CET1 capital ratio could eventually improve to 10.2% from 9.6% as at FY2016 (end 30 Sept. 2016) once all transactions are finalized. This would translate to ANZ's FY2016 CET1 ratio rising above those of peers National Australia Bank (9.8%) and Westpac Banking Corporation (9.5%) (but still lower than that of Commonwealth Bank of Australia (10.6% as at 30 June 2016)) and providing a stronger cushion against anticipated ongoing loan quality issues. Overall, management appears to be successful in delivering its restructuring plans which bodes well for further planned divestments in FY2017, which could also be capital accretive. Given comparable tenures, we would prefer the ANZ 3.75%'27c22 at current levels versus the WSTP 4%'27c22. (OCBC, Company, Bloomberg)

Industry Outlook – Singapore Property: In the latest 4Q16 URA flash estimates, Singapore private residential prices declined by 0.4% in 4Q16, which represents the 13th consecutive quarter of decline. Prices in 2016 have fallen by 3.0% y/y, in comparison to the 3.7% y/y decline in 2015. While the pace of decline has moderated, we do not foresee a respite in property prices while the demand-supply fundamentals have not improved. We note that government cooling measures remain in place while developers face looming deadlines to sell the developments or face punitive fees. Transaction volumes of 11,993 private homes as of 9M16 remains anemic, which still fall significantly short of the 18,000-29,000 transactions seen during similar periods in 2011-2013. (Urban Redevelopment Authority, OCBC)

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