

October 5, 2017

**Credit Headlines (Page 2 onwards):** Industry Outlook – Singapore Residential Property, City Developments Ltd, Keppel Corp Ltd

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 3-8bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in OUESP 4.25%'19s, OUECT 3.03%'20s. In the broader dollar space, the spread on JACI IG Corp rose 2bps to 185bps, while the yield of JACI HY Corp fell 2bps to 6.86%. 10Y UST yields traded little changed at 2.32%, as ISM Non-Manufacturing data helped reverse a fall in yields after the September ADP Employment Change data matched median estimates.

**New Issues:** The Bank of Nova Scotia has priced a USD1.25bn Perp NC5 AT1 at 4.65%, tightening from initial guidance of 5% area. The expected issue ratings are 'NR/Baa3/NR'. CITIC Envirotech Ltd has scheduled investor meetings for potential USD Perp issuance from 6 Oct. Standard Life Aberdeen Plc has scheduled investor meetings for potential USD Tier 2 bonds issuance from 5 Oct. The expected issue ratings are 'BBB+/Baa1/NR'. Yihua Overseas Investment Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Yihua Enterprise (Group) Co) from 9 Oct. The expected issue ratings are 'B-/B3/NR'.

**Rating Changes:** Moody's has placed Global Logistic Properties Limited's (GLP) issuer, senior unsecured debt ratings, and its MTN program ratings of 'Baa2' on review for downgrade. The rating action follows GLP's announcement that it has entered into a definitive agreement to acquire a portfolio of logistics-related real estate assets in Europe, which Moody's believes will delay its progress in deleveraging. Moody's has assigned the University of the Sunshine Coast (USC) an issuer rating of 'Aa3'. The outlook is stable. The rating action reflects the supportive institutional framework for universities in Australia, as well as USC's healthy financial performance and low debt levels. The rating though is constrained by USC's relatively young age and smaller size, when compared to other universities in Australia.

**Table 1: Key Financial Indicators**

	5-Oct	1W chg (bps)	1M chg (bps)		5-Oct	1W chg	1M chg
iTraxx Asiax IG	78	-5	0	Brent Crude Spot (\$/bbl)	55.75	-2.89%	4.44%
iTraxx SovX APAC	18	0	-1	Gold Spot (\$/oz)	1,274.54	-0.99%	-4.86%
iTraxx Japan	45	-1	1	CRB	181.29	-1.40%	-0.58%
iTraxx Australia	69	-3	-1	GSCI	393.73	-2.12%	0.96%
CDX NA IG	54	-2	-5	VIX	9.63	-2.43%	-21.26%
CDX NA HY	108	0	1	CT10 (bp)	2.327%	1.80	26.69
iTraxx Eur Main	57	-1	2	USD Swap Spread 10Y (bp)	-4	0	1
iTraxx Eur XO	249	-7	12	USD Swap Spread 30Y (bp)	-32	1	3
iTraxx Eur Snr Fin	61	0	9	TED Spread (bp)	29	1	-2
iTraxx Sovx WE	5	0	0	US Libor-OIS Spread (bp)	14	-1	-2
iTraxx Sovx CEEMEA	39	-4	-3	Euro Libor-OIS Spread (bp)	3	0	0
					<b>5-Oct</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.783	-0.28%	-2.03%
				USD/CHF	0.975	-0.53%	-2.07%
				EUR/USD	1.176	-0.25%	-1.33%
				USD/SGD	1.363	-0.37%	-0.71%
Korea 5Y CDS	70	-4	2	DJIA	22,662	1.44%	4.18%
China 5Y CDS	59	-4	0	SPX	2,538	1.22%	3.25%
Malaysia 5Y CDS	66	-4	-6	MSCI Asiax	673	2.53%	2.03%
Philippines 5Y CDS	64	-1	2	HSI	28,379	3.15%	2.30%
Indonesia 5Y CDS	101	-5	-1	STI	3,238	0.33%	-0.41%
Thailand 5Y CDS	50	-2	-5	KLCI	1,759	0.06%	-0.60%
				JCI	5,951	1.51%	2.08%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
5-Oct-17	The Bank of Nova Scotia	'NR/Baa3/NR'	USD1.25bn	Perp NC5	4.65%
4-Oct-17	Puma International Financing SA	'NR/Ba2/BB'	USD600mn	7-year	5.125%
29-Sep-17	21 Vianet Group Inc (re-tap)	Not Rated	USD100mn	VNET 7%'20s	100.04
28-Sep-17	FCL Treasury Pte Ltd (re-tap)	Not Rated	SGD42mn	FCLSP 3.95%-PERP	100.0
28-Sep-17	Industrial and Commercial Bank of China Ltd	'NR/A1/NR'	USD450mn	3-year	3mL+77bps
28-Sep-17	Industrial and Commercial Bank of China Ltd	'NR/A1/NR'	USD400mn	5-year	CT5+99bps
28-Sep-17	Industrial and Commercial Bank of China Ltd	'NR/A1/NR'	EUR1.1bn	3-year	3mE+55bps
28-Sep-17	New Lion Bridge Co Ltd	'NR/B2/B'	USD160mn	3NC2	9.75%
28-Sep-17	Overseas Chinese Town (Asia) Holdings Ltd	Not Rated	USD800mn	Perp NC3	4.35%
28-Sep-17	Yinson Juniper Ltd	Not Rated	USD100mn	Perp NC5	7.875%

Source: OCBC, Bloomberg

**Rating Changes (Cont'd):** Fitch has downgraded PT Alam Sutera Realty Tbk's (ASRI) Long-Term Issuer Default Rating (IDR) and senior unsecured debt rating to 'B' from 'B+' and placed the ratings on Rating Watch Negative (RWN). The rating action reflects ASRI's lower annual contracted sales due to weaker sales execution capabilities compared to its peers. Fitch placed the ratings on RWN to reflect a possible covenant breach on its bonds.

## Credit Headlines:

**Industry Outlook – Singapore Residential Property:** Following the record price at Amber Park collective sale, the head of Real Estate Developers' Association of Singapore ("Redas") has warned that it is not sustainable for developers to buy private residential sites at higher prices given that Redas does not see runaway demand in sales volume and property prices. We similarly share this view (refer to [Singapore Mid-Year 2017 Outlook, pg xxv](#)) as cooling measures are still in place. While it remains to be seen if such aggressive bids will eventually support profit margins or turn out into a winner's curse, we think that the majority of the developers in our coverage currently still maintain manageable credit profiles, with the exception of Oxley Holdings Ltd (net gearing: 1.88x) and Aspial Corp Ltd (net gearing: 3.1x). (Business Times, OCBC)

**City Developments Ltd ("CDL"):** CDL and its JV partner Hong Realty (private real estate arm of Hong Leong Group) has won the en-bloc tender for Amber Park condominium for SGD906.7mn (SGD1,515 per sq ft per plot ratio). This was 18% higher than the asking price of SGD768mn, with CDL/Hong Realty beating out seven other bidders. CDL (via a wholly-owned subsidiary) would own 80%-stake in the project while Hong Realty will own 20%. Amber Park itself was developed by CDL in 1986. The site located in the Amber Gardens neighbourhood of Katong/East Coast has freehold status. The wave of en-blocs and redevelopments in Amber Gardens/Marine Parade Road had started since 2010 (eg: Maryland Park (now One Amber), Amber Towers (now Amber Skye), Amber Glades, Marine Point (now Marine Blue), leaving the Amber Park condominium plot as one of the last remaining sites available for large-scale redevelopment in the vicinity. We expect net gearing of CDL to rise to ~0.24x from the 0.18x as at 30 June 2017 following the purchase of the site.

**Keppel Corp Ltd ("KEP"):** KEP announced that it has secured a contract from SBM Offshore N.V., to convert a Very large Crude Carrier ("VLCC") into a Floating Production Storage and Offloading vessel ("FPSO"). The converted FPSO will have a storage capacity of 1.6mn barrels of crude oil. KEP does not expect the contract to have a material impact on the net tangible assets or earnings per share of KEP. (Company)

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