

Jun 6, 2017

Credit Headlines (Page 2 onwards): Lippo Malls Indonesia Retail Trust

Market Commentary: The SGD swap curve bull-flattened yesterday by 2-5bps across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%'49s, TSHSP 6%'20s, BAERVX 5.9%'49s, better selling seen in AUSGSP 7.95%'18s, mixed interest in GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 197bps, while the yield on JACI HY corporates fell 3bps to 6.79%. 10y UST yields rose 2bps yesterday to 2.18%, after a quiet U.S trading session, with strong Investment Grade (IG) issuances (USD7.85bn over 10 issuers) weighing on the Treasuries.

New Issues: China Merchants Bank Co. (New York Branch) priced a USD800mn 3-year bond at 3mL+82.5bps, tightening from initial guidance of 3mL+105bps. The expected issue ratings are 'BBB+/NR/NR'. Korean Air Lines Co. priced a USD300mn Perp NC3.5 at 6.875%, tightening from initial guidance of 7.125%. GS Caltex Corporation priced a USD400mn 5-year bond at CT5+130bps, tightening from initial guidance of CT5+155bps. The expected issue ratings are 'BBB/Baa2/NR'. Three Gorges Finance II (Cayman Islands) Ltd. scheduled investor roadshows from 6 Jun for potential EUR bond issuance (guaranteed by China Three Gorges Corporation). The expected issue ratings are 'NR/A1/A+'. Marble II Pte. Ltd. scheduled investor roadshows from 6-12 Jun for potential USD bond issuance. The expected issue rating are 'NR/Ba2/BB'. DianJian Haiyu Ltd. scheduled investor roadshows from 6 Jun for potential USD perp issuance (guaranteed by Power Construction Corporation of China).

Rating Changes: S&P assigned an 'A+' local currency issuer credit rating to Swiss Re Corporate Solutions Insurance China Ltd. (SRCSI China). The rating outlook is stable. The rating action reflects S&P's view that the insurer is a highly strategic subsidiary of Swiss Re Corporate Solutions Ltd. (SRCS), and hence rated one notch lower than SRCS.

Table 1: Key Financial Indicators

	6-Jun	1W chg (bps)	1M chg (bps)		6-Jun	1W chg	1M chg
iTraxx Asiax IG	87	-4	-4	Brent Crude Spot (\$/bbl)	49.09	-5.30%	-0.02%
iTraxx SovX APAC	19	0	-2	Gold Spot (\$/oz)	1,284.64	1.71%	4.76%
iTraxx Japan	41	-1	-2	CRB	177.30	-2.59%	-0.35%
iTraxx Australia	86	0	4	GSCI	371.72	-2.91%	0.09%
CDX NA IG	60	-2	-2	VIX	10.07	2.65%	-4.73%
CDX NA HY	108	0	0	CT10 (bp)	2.164%	-4.55	-18.44
iTraxx Eur Main	62	0	-1	USD Swap Spread 10Y (bp)	-5	1	1
iTraxx Eur XO	249	-3	-7	USD Swap Spread 30Y (bp)	-44	1	1
iTraxx Eur Snr Fin	71	2	4	TED Spread (bp)	25	-4	-4
iTraxx Sovx WE	8	-1	0	US Libor-OIS Spread (bp)	10	-1	-5
iTraxx Sovx CEEMEA	43	1	-5	Euro Libor-OIS Spread (bp)	3	0	0
					6-Jun	1W chg	1M chg
				AUD/USD	0.747	0.04%	1.10%
				USD/CHF	0.963	1.20%	3.72%
				EUR/USD	1.127	0.78%	3.19%
				USD/SGD	1.380	0.33%	1.88%
Korea 5Y CDS	54	-2	-3	DJIA	21,184	0.49%	0.84%
China 5Y CDS	75	-3	-5	SPX	2,436	0.84%	1.53%
Malaysia 5Y CDS	95	-5	-13	MSCI Asiax	626	1.10%	5.28%
Philippines 5Y CDS	78	-3	-1	HSI	25,968	1.04%	6.09%
Indonesia 5Y CDS	120	-5	-4	STI	3,239	1.07%	0.28%
Thailand 5Y CDS	57	-1	2	KLCI	1,789	1.34%	1.49%
				JCI	5,736	0.42%	0.93%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
5-Jun-17	China Merchants Bank Co.	"BBB+/NR/NR"	USD800mn	3-year	3mL+82.5bps
5-Jun-17	Korean Air Lines Co.	Not Rated	USD300mn	Perp NC3.5	6.875%
5-Jun-17	GS Caltex Corporation	"NR/Aa2/AA"	USD400mn	5-year	CT5+130bps
1-Jun-17	HSBC Holdings Plc	"NR/Baa3/BBB"	SGD1bn	4-year	4.7%
1-Jun-17	Lendlease Retail Investments	Not Rated	SGD50mn	7-year	3.35%
1-Jun-17	DBS Group Holdings Ltd	"NR/Aa2/AA"	USD750mn	3-year	3mL+49bps
31-May-17	Asian Development Bank	"AAA/Aaa/AAA"	USD1.75bn	4-year	MS+7bps
31-May-17	The Republic of Maldives	"NR/B2/B+"	USD200mn	5-year	7%
31-May-17	ESR Cayman Ltd.	Not Rated	USD100mn	Perp NC3	8.25%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's affirmed China Evergrande Group 's (Evergrande) 'B2' corporate family rating and the 'B3' senior unsecured rating on the company's existing notes. In addition, Moody's revised Evergrande's ratings outlook to stable from negative. The rating action reflects Evergrande's improved liquidity position due to its strong contracted sales and active debt maturity management. Moody's assigned a first-time 'Ba2' corporate family rating (CFR) to Marble II Pte. Ltd. (Marble II), the special-purpose investment holding company formed by Blackstone Group and GIC Pte Ltd (unrated) to invest in IT solutions provider, Mphasis Limited. The rating action reflects the support the company gets from its 60.4% controlling interest in Mphasis, strong revenue visibility, strong cash flow generation, and Mphasis' solid liquidity profile. Fitch assigned Marble II a Foreign- and Local-Currency Issuer Default Ratings (IDR) of 'BB', with stable outlook. Moody's revised to negative from stable the outlook on Nan Fung International Holding Limited's (Nan Fung) 'Baa3' issuer ratings, perpetual capital security rating of Nan Fung Treasury (II) Limited, the 'Baa3' senior unsecured debt rating, and provisional '(P)Baa3' rating of Nan Fung Treasury Limited's medium-term note (MTN) program. In addition, Moody's affirmed all the above ratings. The rating action reflects Moody's concern over the impact of the Kai Tak project (Nan Fung acquired a lot of land for HKD24.6bn on 30 May for the development of the commercial complex project) on Nan Fung's cash buffer. Moody's affirmed Agile Group Holdings Limited's (Agile) 'Ba3' corporate family rating and the 'B1' senior unsecured rating on the bonds issued by Agile. In addition, Moody's revised the ratings outlook of Agile to positive from stable. The rating action reflects Moody's expectation that Agile will maintain growth in presales and revenues and improve its profit margins, which will in turn improve its credit metrics over the next 12-18 months.

Credit Headlines:

Lippo Malls Indonesia Retail Trust ("LMRT"): LMRT has entered into a conditional share purchase agreement to acquire a 4-storey shopping mall with a NLA of 21,008 sqm located at Kendari, South East Sulawesi for IDR310bn (SGD33.2mn). An area totalling 4,672 sqm will be master-leased to PT Metropolis Propertindo Utama for IDR15.1bn (SGD1.6mn) p.a. for 5 years while the aggregate rental fees from the existing tenancy agreements for the entire property is estimated at IDR51.8bn (SGD5.5mn) p.a. This transaction is expected to be financed by proceeds from the issuance of perpetual securities (SGD15mn) and debt from banks (SGD19mn), which may increase aggregate leverage to 33.2% (1Q17: 32.2%). As the acquisition size (SGD33.2mn) is small compared to the total assets of LMRT (1Q17: SGD2.0bn), we think that the acquisition is credit neutral and hence we continue to hold LMRT at a Neutral Issuer Profile. (Company, OCBC)

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