Asian Credit Daily

OCBC Bank

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Credit Headlines (Page 2 onwards): Mapletree Industrial Trust, Sabana Shari'ah Compliant Industrial REIT, Chip Eng Seng Corporation Ltd, Perennial Real Estate Holdings Ltd, Keppel REIT, Swissco Holdings Ltd, Ezra Holdings Ltd

Market Commentary: The SGD swap curve was relatively flattish last Friday, with the exception of longer tenors (15-30years) trading 2bps lower. Flows in SGD corporates were heavy, with better buying seen in UOBSP 3.5%'29s, GUOLSP 4%'22s, GENSSP 5.13%'49s, FCLSP 4.15%'27s, and better selling seen in OLAMSP 7%'49s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 191bps while the yield on JACI HY corporates rose 2bps to 6.64%. 10y UST yields held steady at 2.48%, as US Federal Reserve Chairwoman Janet Yellen's address at Chicago last Friday remained largely within markets' expectation of an imminent March rate hike. 10y UST yields rose 16bps last week in a quick change of sentiments towards the likelihood of a March rate hike.

New Issues: Gome Electrical Appliances Holding Ltd. priced a USD400mn 3-year bond at par, with a 5% yield which tightened from an initial guidance of 5.5%. The expected issue ratings are 'BB-/NR/NR'.

Rating Changes: Moody's affirmed Australian infrastructure company Ventia Pty Limited's (Ventia) 'Ba2' corporate family rating and senior secured rating. The rating outlook is stable. The rating action follows Ventia's announcement that it will issue an AUD827mn loan facility (by repricing and upsizing the existing AUD707mn loan facility), and Moody's expect that Ventia's credit metrics will remain within the tolerance levels set for its ratings, despite the increase in debt and debt-funded dividend payments. S&P has also announced that Ventia's ratings are not immediately affected by this arrangement. Moody's has revised Future Land Development Holdings Limited's (Future Land) ratings outlook to positive from stable. In addition, Moody's has affirmed Future Land Development Holdings Limited's 'Ba3' corporate family rating and 'B1' senior unsecured debt rating. The rating action reflects Future Land's strong sales execution, growing recurring income, and improving credit metrics.

Table 1: Key Financial Indicators

	6-Mar	1W chg (bps)	1M chg (bps)		6-Mar	1W chg	1M chg
iTraxx Asiax IG	94	-2	-14	Brent Crude Spot ($/bbl)	55.73	-0.36%	0.02%
iTraxx SovX APAC	26	1	-4	Gold Spot ($/oz)	1,234.49	-1.46%	-0.08%
iTraxx Japan	51	-1	-3	CRB	189.72	-0.64%	-1.27%
iTraxx Australia	83	-2	-9	GSCI	398.56	-0.62%	0.45%
CDX NA IG	60	-2	-5	VIX	10.96	-4.45%	-3.61%
CDX NA HY	108	0	1	CT10 (bp)	2.473%	10.76	6.49
iTraxx Eur Main	69	-5	-4	USD Swap Spread 10Y (bp)	-3	0	4
iTraxx Eur XO	274	-20	-22	USD Swap Spread 30Y (bp)	-39	0	2
iTraxx Eur Snr Fin	86	-8	-6	TED Spread (bp)	41	-15	-13
iTraxx Sovx WE	21	-1	-3	US Libor-OIS Spread (bp)	24	-5	-12
iTraxx Sovx CEEMEA	66	1	-4	Euro Libor-OIS Spread (bp)	2	0	0
					6-Mar	1W chg	1M chg
				AUD/USD	0.758	-1.28%	-1.11%
				USD/CHF	1.008	0.07%	-1.70%
				EUR/USD	1.061	0.22%	-1.30%
				USD/SGD	1.411	-0.45%	-0.10%
Korea 5Y CDS	45	0	0	DJIA	21,006	0.88%	4.75%
China 5Y CDS	89	-3	-16	SPX	2,383	0.67%	3.95%
Malaysia 5Y CDS	109	0	-15	MSCI Asiax	559	-1.02%	0.94%
Philippines 5Y CDS	84	0	-7	HSI	23,587	-1.41%	1.02%
Indonesia 5Y CDS	128	-1	-15	STI	3,113	0.15%	1.85%
Thailand 5Y CDS	55	1	-14	KLCI	1,713	1.15%	1.31%
				JCI	5,392	0.17%	-0.08%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
3-Mar-17	Gome Electrical Appliance Holdings Ltd.	"BB-/NR/NR"	USD400mn	3-year	5%
2-Mar-17	ICICI Bank Ltd	"BBB-/Baa3/NR"	USD300mn	5.5-year	CT5+135bps
2-Mar-17	China Cinda Finance (2017) I Ltd.	"A-/Baa1/A"	USD300mn	3-year	CT3+150bps
2-Mar-17	China Cinda Finance (2017) I Ltd.	"A-/Baa1/A"	USD1.3bn	5-year	CT5+165bps
2-Mar-17	China Cinda Finance (2017) I Ltd.	"A-/Baa1/A"	USD700mn	7-year	CT7+180bps
2-Mar-17	China Cinda Finance (2017) I Ltd.	"A-/Baa1/A"	USD700mn	10-year	CT10+195bps
2-Mar-17	Aozora Bank Ltd.	"A/NR/NR"	USD300mn	3-year	CT3+120bps
2-Mar-17	China Reinsurance Finance Corp Ltd.	Not Rated	USD800mn	5-year	CT5+150bps
2-Mar-17	China South City Holdings Ltd.	"B-/NR/B"	USD300mn	3-year	6.125%
2-Mar-17	PCPD Capital Ltd.	Not Rated	USD500mn	5-year	4.75%

Source: OCBC, Bloomberg

Credit Headlines:

Mapletree Industrial Trust ("MINT"): MINT has secured a new built-to-suit ("BTS") data centre project for an estimated development cost of SGD60mn. The data centre will be fully leased to a data operator post completion for an initial lease term of more than 10 years. This is MINT's third data centre development. MINT has a total asset base of SGD3.7bn. We see this transaction as credit neutral in light of its small scale versus MINT's total asset base of SGD3.7bn as at 31 December 2016. (Company, OCBC)

Sabana Shari'ah Compliant Industrial REIT ("SSREIT"): e-Shang Redwood (a logistics company backed by Warburg Pincus) has emerged as the second largest unitholder of SSREIT holding 5.01% stake. e-Shang Redwood currently owns 80% in Cambridge Industrial Trust's REIT Manager and hold a ~12% stake in CREIT. SSREIT is undergoing a strategic review process and has appointed a financial adviser to advise them on the process. We think a likely outcome could see further ownership changes at SSREIT as well as SSREIT's REIT Manager. e-Shang Redwood is a relatively new entrant in the Singapore (and Southeast Asian) industrial space, having completed the deal with CREIT in January 2017. A consolidation in the sector (among smaller REITs) is in itself a credit positive in our view. We continue to hold CREIT at Neutral and SSREIT's issuer profile at Negative but would seek to review these as the situation unfolds. (Company, OCBC)

Chip Eng Seng Corporation Ltd ("CES"): Straits Times reported that 420 units of Grandeur Park Residences were sold on the first weekend sales, which represented 58% of the total available units. The average price was around SGD1,350 psf. (Straits Times)

Perennial Real Estate Holdings Ltd ("PREH"): PREH announced that the High Court has dismissed PREH's Winding-up Applications for its JV entities related to the mixed-use project Capitol Singapore. Reported by the Business Times, the Judicial Commissioner found no unfairness that warrants the winding-up of the companies. This is because an exit mechanism was available where one party could offer to sell its shares to the other at fair value, and Perennial did not use this mechanism. We think the impact on PREH's credit profile is limited as the carrying amount on PREH's balance sheet as of end-2015 is SGD141mn, compared to SGD7.0bn in total assets as of end-2016 (end-2015: SGD6.5bn). (Company, Business Times, OCBC)

Keppel REIT ("KREIT"): KREIT's REIT manager, Keppel REIT Management Limited ("the Manager") is undergoing some management transition. On 09/01/17, the former CEO of the Manager, Ms Ng Hsueh Ling, was announced to be stepping down from her CEO and to join Keppel Corp in a new role as Director, New Businesses. The same announcement had announced that Ms Jesline Goh to be the CEO-Designate, with the transition expected on 01/02/17. Ms Goh was most recently the Deputy CEO (Singapore) of Perennial Real Estate Holdings Limited, and had prior experience with the CapitaLand Group. However, on 01/03/17, it was announced that Mr Tan Swee Yiow will be appointed as CEO of the Manager, with effect from 20/03/17. Mr Tan will replace Ms Goh, who was announced to be leaving the Manager to pursue other career opportunities. Furthermore, it was reported that Ms Ng had also resigned from KREIT before 01/02/17, and had not transitioned to her new role at Keppel Corp. In aggregate, we believe that the changes are credit neutral. Mr Tan is a veteran who has been with Keppel Land Group since 1990, and was formerly the CEO of the Manager from when KREIT was listed in April 2006 and held the role till 2009. The challenges that KREIT faces remain the huge surge in office space coming to market in 2017, and to a lesser extent in 2018. We expect portfolio occupancy to hold up well given KREIT's newish and well-position office assets. This would be at the expense of lease rates. On the bright side, as of end-December 2016, KREIT had just 3.9% of NLA expiring in 2017 and 7.1% of NLA expiring in 2018. This means KREIT is well position to manage the heightened competitive landscape over the next two years. We will reiterate our Neutral Issuer Profile on KREIT. (Business Times, Company, OCBC)

Credit Headlines:

Swissco Holdings Ltd ("SWCH"): The interim judicial managers ("IJM") have announced that the Pre-Trial Conference over SWCH's Judicial Management Applications, which was originally fixed for 06/03/17, has been vacated by the Court. As a result, the IJM will provide an update to stakeholders when a further Pre-Trial Conference or hearing is fixed by the High Court of Singapore. As such, it is likely that any restructuring proposal to be floated by the IJM will be further delayed. In a separate filing, the IJM had applied for an extension of time with regards to the filing of SWCH's 4Q2016 results as well as the preparation of the annual report, citing limited resources. (Company)

Ezra Holdings Ltd ("EZRA"): EZRA provided more information and implications regarding EMAS Chiyoda Subsea ("ECS") filing for Chapter 11 bankruptcy protection. The most material information provided would be that though Chapter 11 bankruptcy protection provides a stay on the creditors of ECS, it does not resolve the charter hire liabilities that ECS faces. Furthermore, a substantial portion of these charter hire liabilities are in turn guaranteed by EZRA, amounting to ~USD0.4bn. In addition, ECS had ~USD0.5bn in loans (likely vessel financing, such as those used to fund the Lewek Constellation, which we mentioned previously) owed to financial institutions, which are guaranteed by EZRA. Finally, EZRA had substantial contingent liabilities in relation to performance and/or bank guarantees over projects undertaken by ECS. The amounts are not quantifiable as ECS intends to execute these projects. To be clear, the moratorium afforded to ECS as a result of the Chapter 11 filing does not stay claims against EZRA. EZRA had indicated that in the event that claims against EZRA due to the ECS bankruptcy are accelerated, EZRA would immediately face a going concern situation. In a separate filing, EMAS Offshore ("EMAS") had indicated that the completion of the documentation to its refinancing efforts (as first announced 30/10/16) has been delayed. These were originally targeted to be completed before the end of 2QFY2017 (ending February 2017). EMAS has sought an extension of time from its principal bankers to complete the documentation of the ongoing financing initiatives. In aggregate, the situation continues to evolve rapidly for the EZRA group of companies. The next coupon due for the EZRASP'18 bonds is 24/04/17, of which SGD3.7mn is due. Ultimately, EZRA and its related entities appear to be fighting to remain going concerns in order to maximize value for all stakeholders. Should EZRA be forced into taking the path of judicial management, it is likely that recoveries on the EZRASP'18s will be poor, due to the HoldCo-OpCo structure that EZRA has, with assets and operations of EZRA being held at various subsidiaries and joint ventures. We currently hold EZRA's Issuer Profile at Negative, and will continue to monitor the situation closely. (Company, OCBC)

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