

Jun 7, 2017

Credit Headlines (Page 2 onwards): CapitaLand Ltd, Aspiat Corp Ltd, First Sponsor Group Ltd, Soilbuild Business Space Trust, Wing Tai Holdings Ltd, China Vanke Co Ltd, CIMB Group Holdings Berhad

Market Commentary: The SGD swap curve bull-flattened yesterday by 1-3bps across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%'49s, TSHSP 6%'20s, GEMAU 5.5%'19s, and mixed interest in GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 198bps, while the yield on JACI HY corporates fell 1bps to 6.79%. 10y UST yields fell 4bps yesterday to 2.15%, as Bloomberg reported that China is prepared to increase its holdings of U.S. Treasuries under the right circumstances, with officials judging the assets as becoming more attractive than other sovereign debt and as the yuan stabilizes.

New Issues: State Elite Global Ltd. priced a USD600mn 5-year bond (guaranteed by China Construction Bank Corp (Hong Kong Branch)) at CT5+110bps, tightening from initial guidance of CT5+135bps. The expected issue ratings are 'A/A1/NR'. China Everbright Bank (Hong Kong Branch) priced a USD500mn 3-year bond at 3mL+85bps, tightening from initial guidance of 3mL+110bps. The expected issue ratings are 'NR/NR/BBB'. Fantasia Holdings Group Co. Ltd. priced a USD350mn 1-year bond at 5.5%, tightening from initial guidance of 5.75%. Korean construction company Doosan Infracore Co Ltd is planning to sell USD300mn of bonds.

Rating Changes: S&P revised American International Group's (AIG) rating outlook to negative from stable. In addition, S&P affirmed the ratings on AIG. The rating action reflects S&P's view that continued slower-than-expected progress in improving operating fundamentals could weigh on the ratings on AIG over the next 12 to 24 month.

Table 1: Key Financial Indicators

	7-Jun	1W chg (bps)	1M chg (bps)		7-Jun	1W chg	1M chg
iTraxx Asiax IG	87	-3	-4	Brent Crude Spot (\$/bbl)	50.06	-0.50%	1.96%
iTraxx SovX APAC	19	-1	-2	Gold Spot (\$/oz)	1,291.81	1.80%	5.35%
iTraxx Japan	41	0	-1	CRB	178.08	-1.79%	0.09%
iTraxx Australia	86	0	5	GSCI	374.55	-0.88%	0.85%
CDX NA IG	61	-1	-2	VIX	10.45	0.67%	-1.14%
CDX NA HY	108	0	0	CT10 (bp)	2.154%	-4.90	-19.49
iTraxx Eur Main	62	0	-1	USD Swap Spread 10Y (bp)	-5	1	2
iTraxx Eur XO	249	-4	-7	USD Swap Spread 30Y (bp)	-43	1	2
iTraxx Eur Snr Fin	71	2	5	TED Spread (bp)	25	-2	-5
iTraxx Sovx WE	8	0	1	US Libor-OIS Spread (bp)	10	-1	-6
iTraxx Sovx CEEMEA	45	0	-3	Euro Libor-OIS Spread (bp)	3	0	0
					7-Jun	1W chg	1M chg
				AUD/USD	0.754	1.45%	2.04%
				USD/CHF	0.963	0.51%	3.73%
				EUR/USD	1.127	0.20%	3.13%
				USD/SGD	1.381	0.18%	1.83%
Korea 5Y CDS	54	-2	-3	DJIA	21,136	0.51%	0.62%
China 5Y CDS	75	-3	-5	SPX	2,429	0.68%	1.25%
Malaysia 5Y CDS	96	-4	-12	MSCI Asiax	626	1.29%	5.28%
Philippines 5Y CDS	79	-3	0	HSI	26,028	1.43%	6.34%
Indonesia 5Y CDS	121	-3	-3	STI	3,247	1.13%	0.54%
Thailand 5Y CDS	58	0	3	KLCI	1,791	1.44%	1.62%
				JCI	5,732	0.68%	0.85%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
6-Jun-17	State Elite Global Ltd.	"A/A1/NR"	USD600mn	5-year	CT5+110bps
6-Jun-17	China Everbright Bank	"NR/NR/BBB"	USD300mn	3-year	3mL+85bps
6-Jun-17	Fantasia Holdings Group Co. Ltd.	Not Rated	USD350mn	1-year	5.5%
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

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's upgraded The Bank of Fukuoka Ltd's (Fukuoka Bank) baseline credit assessment (BCA) to 'Baa2' from 'Baa3', adjusted BCA to 'Baa2' from 'Baa3', and long-term issuer rating to 'A3' from 'Baa1'. In addition, Moody's revised the company's outlook to stable from positive. The rating action was triggered by the improvement in the company's parent, Fukuoka Financial Group, Inc's (FFG), tangible common equity (TCE) ratio. Moody's expect FFG's capitalization to continue to strengthen through the accumulation of retained earnings. Moody's downgraded Reliance Communications Limited's (RCOM) corporate family rating and senior secured bond rating to 'Ca' from 'Caa'. The rating outlook is negative. The rating action follows the announcement of the company's proposed debt restructuring plan – including a standstill of RCOM's debt servicing obligations for 210 days – which is currently being considered by the company's bank lenders.

Credit Headlines:

CapitaLand Ltd (“CAPL”): CAPL has announced that it sees the potential to grow its Japan AUM to SGD5bn, double of the current ~SGD2.5bn in AUM (as of end 1Q2017). Rather than the development business, CAPL's focus in Japan would continue to be investment properties. Currently, CAPL's investment properties in Japan include five shopping malls, four office buildings as well as 23 serviced residences and rental apartment properties. CAPL had already made a sizable investment in Japan earlier this year, spending SGD620.1mn acquiring three office buildings as a mall. Management had indicated that further investments could be possible, bringing AUM to SGD3.0bn by year end (or ~7% of total assets). CAPL had mentioned that the upcoming 2020 Tokyo Olympics was a drawn to ramp up its hospitality operations. In our view, the on-going efforts to develop integrated resorts as part of Japan's casino legalization process, also likely served as a positive catalyst ramping up CAPL's interest in the market. That said, it is unlikely that CAPL's dependency on China (44% of assets) and Singapore (35% of assets) would decline in the near future. (Company, OCBC)

Aspial Corp Ltd (“ACL”): World Class Global (“WCG”), a subsidiary of ACL, will be offering shares to raise SGD26mn. As a recap from our [OCBC Asian Credit Daily on 17 May 2017](#), WCG owns several key development projects, including Australia 108, AVANT and Nova City. WCG is expected to record significant revenue from Avant and Australia 108, which presold AUD1.2bn worth of units. The use of proceeds will be used mainly to fund the acquisition, construction and related costs of these development projects. While we see some HoldCo-OpCo subordination with the spin-off, we think this is largely mitigated with ACL retaining a 80%-stake post IPO. Meanwhile WCG does not hold a large amount of debt (FY16 total debt: SGD73.8mn). On the other hand, the IPO improves the financial flexibility of WCG as it allows ACL to obtain another source of funding for the capex of its Australian projects. We view this as a minor credit positive, though we continue to hold ACL at a Negative Issuer Profile due to its high net gearing of 3.04x (Company, OCBC)

First Sponsor Group Ltd (“FSG”): Following its end-April 2017 announcement, FSG had redeemed and cancelled its FSGSP 4.0%'2018 bonds. Whilst the maturity date of the bond was in June 2018, the bonds was callable at 102 in June 2016 and 101 in June 2017. With the Millennium Waterfront project coming to a tail-end, 2Q2017 is likely to show strong cash inflow from development properties and tapering off after. We expect the company's cash surplus position to reverse in 2H2017 following expected investing outflows for development/redevelopment projects in the Netherlands and monies applied towards Dongguan East Sun Limited (“East Sun”), which the company intends to hold as a passive investment. With FSG's sole bond being called, we are withdrawing our issuer profile on the company. We last held the issuer profile at Neutral. (Company, OCBC)

Soilbuild Business Space Trust (“SBREIT”): SBREIT has entered into an amendment letter to the SGD185mn facility agreement dated 25 September 2015. Per this banking facility, lenders had required the Soilbuild Group Holdings Ltd (the Sponsor) and Mr Lim Chap Huat (who solely owns the Sponsor) to together maintain at least 20%-stake in SBREIT, unless prior written consent is provided. The amendment letter requires that Soilbuild Group Holdings Ltd, Mr Lim Chap Huat and his sons, Mr Lim Han Feng, Mr Lim Han Qin and Mr Lim Han Ren shall together maintain at least 20%-stake in SBREIT. We see this as a credit neutral event. Mr Lim Han Feng and Mr Lim Han Qin are both directors on the board of the Sponsor. (Company, OCBC)

Credit Headlines (cont'd):

Wing Tai Holdings Ltd (“WINGTA”): WINGTA has entered into a sale and purchase agreement to dispose Winnamax Investment Pte Ltd (“Winnamax”), a wholly-owned subsidiary, for SGD270.8mn to Xu Chang Co Ltd. Winnamax, through its subsidiaries, is the owner of a property development project located at Shanghai Huangpu District Huanhai Zhong Road with a site area of 8,594 sqm, which is intended to be developed for office and commercial use with a planned GFA of 44,481 sqm. WINGTA came to own the project as it was awarded the land tender in Nov 2013 at a price of RMB1.1bn (SGD223mn). We view this as a significant credit positive for WINGTA as it will be able to redeem its shareholder loans to the company and receive cash proceeds, with net gearing expected to decrease to 1.0% (from our earlier expectation of 9.1% following the privatisation offer of Wing Tai Malaysia, as mentioned in our [OCBC Asian Credit Daily on 23 May 2017](#)). However, due to its subdued profitability, we continue to hold WINGTA at a Neutral Issuer Profile. (Company, HKEX, OCBC)

China Vanke Co Ltd (“VNRKLE”): VNRKLE has received a notification from Shenzhen Metro Group Co., Ltd (“Shenzhen Metro”) that it is considering a potential acquisition of shares in VNRKLE. The company added that details on such acquisition have not been confirmed and are subject to obtaining requisite approval(s). To recap from our [OCBC Asian Credit Daily on 17 Mar 2017](#), Insurer Baoneng (a hostile party to VNRKLE management) holds a 25%-stake in VNRKLE, Shenzhen Metro holds 15.3%-stake while China Evergrande Group (“Evergrande”) holds a 14.1%-stake. In March 2017, Shenzhen Metro and Evergrande entered into a Strategic Cooperation Framework Agreement (“Cooperation) agreement. While there was no change in percentage ownership at that time, Shenzhen Metro had been entitled to exercise shareholder rights at its own discretion for a 29.4%-stake in VNRKLE (effectively holding the single largest bloc of shareholders rights) for one year. A-shares of VNRKLE will be suspended with effect from 7 June 2017. We see it as a credit positive should a transaction transpire where Shenzhen Metro successfully acquire the controlling stake in VNRKLE. This would formalise the end of the takeover saga at VNRKLE. We are maintaining our Neutral issuer profile on VNRKLE. (Company, OCBC)

CIMB Group Holdings Berhad (“CIMB”): As mentioned previously (refer to [OCBC Asian Credit Daily - 18 Oct 2016](#)), CIMB announced it will sell 50% in CIMB Securities International, its international brokerage business, to China Galaxy Securities Co. via a share purchase agreement for MYR515mn. CIMB is targeting to receive relevant regulatory approvals and complete the transaction by the end of FY2017. Once established, the joint venture will pursue capital market deals in China including China-outbound M&As, China-ASEAN cross-border investments and infrastructure funding through its business lines which include institutional and retail broking, equity research and other securities businesses. The joint venture is a positive development in our view giving CIMB an additional avenue for future growth. Current exposure to China is somewhat limited with only 0.6% of CIMB’s total loans from China. (Company, Bloomberg, OCBC)

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