

March 8, 2017

Credit Headlines (Page 2 onwards): Suntec REIT, OUE Ltd., Swiber Holdings Limited

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 1-7bps higher. Flows in SGD corporates were heavy, with better buying seen in UOBSP 3.5%'29s, better selling seen in MAPLSP 4.5%'49s, and mixed interest seen in FCLSP 4.15%'27s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 193bps while the yield on JACI HY corporates rose 3bps to 6.69%. 10y UST yields rose 1bps to a YTD high at 2.51%, amid soft demand for 3-year USTs during monthly auctions and a strong IG credit supply pipeline.

New Issues: The Export-Import Bank of China priced a USD2bn 2-tranche deal; with the USD1.15bn 5-year piece at CT5+85bps, tightening from initial guidance of CT5+110bps; and the USD850mn 10-year piece at CT10+110bps, tightening from initial guidance of CT10+130bps. The expected issue ratings are 'AA-/Aa3/NR'. Eros Films Ltd. set final guidance for its USD 5NC2 bond (guaranteed by Eros International Plc) at 9%, against earlier guidance in the 8.25% area. The expected issue ratings are 'B+/NR/NR'.

Rating Changes: S&P affirmed Yanlord Land Group Ltd.'s (Yanlord) 'BB-' corporate credit rating and issue rating on Yanlord's outstanding senior unsecured notes. In addition, S&P revised the rating outlook on Yanlord to positive from stable. The rating action reflects S&P's expectation for Yanlord to sustain its improved leverage over the next 12 months and continue to demonstrate satisfactory sales execution and disciplined land acquisitions. S&P placed KWG Property Holding Ltd.'s (KWG) 'BB-' corporate credit rating and 'B+' issue rating on the company's outstanding senior unsecured notes on CreditWatch with negative implications. The rating action reflects the expectation that KWG's financial position will weaken more than earlier expected under the base-case scenario for the rating. The likely deterioration follows the company's recent significant land acquisition in Hong Kong and its active land purchases in mainland China in 2016.

Table 1: Key Financial Indicators

	8-Mar	1W chg (bps)	1M chg (bps)		8-Mar	1W chg	1M chg
iTraxx Asiax IG	94	0	-15	Brent Crude Spot (\$/bbl)	55.64	-1.28%	0.94%
iTraxx Sovx APAC	27	1	-3	Gold Spot (\$/oz)	1,218.03	-2.53%	-1.89%
iTraxx Japan	51	-1	-3	CRB	188.02	-1.36%	-2.21%
iTraxx Australia	84	1	-9	GSCI	397.44	-1.19%	-0.33%
CDX NA IG	62	2	-5	VIX	11.45	-11.38%	0.00%
CDX NA HY	107	-1	0	CT10 (bp)	2.509%	5.62	17.25
iTraxx Eur Main	71	0	-5	USD Swap Spread 10Y (bp)	-5	-2	3
iTraxx Eur XO	279	-2	-24	USD Swap Spread 30Y (bp)	-42	-3	1
iTraxx Eur Snr Fin	88	-1	-7	TED Spread (bp)	41	-16	-12
iTraxx Sovx WE	19	-4	-5	US Libor-OIS Spread (bp)	24	-3	-11
iTraxx Sovx CEEMEA	64	-1	-8	Euro Libor-OIS Spread (bp)	2	0	0
					8-Mar	1W chg	1M chg
				AUD/USD	0.760	-1.03%	-0.61%
				USD/CHF	1.013	-0.44%	-1.85%
				EUR/USD	1.057	0.18%	-1.23%
				USD/SGD	1.411	-0.12%	0.42%
Korea 5Y CDS	46	2	-1	DJIA	20,925	0.54%	4.34%
China 5Y CDS	88	-1	-19	SPX	2,368	0.20%	3.21%
Malaysia 5Y CDS	107	1	-17	MSCI Asiax	564	-0.11%	1.80%
Philippines 5Y CDS	84	0	-9	HSI	23,678	-0.41%	0.82%
Indonesia 5Y CDS	127	1	-15	STI	3,134	0.36%	2.20%
Thailand 5Y CDS	55	2	-13	KLCI	1,729	1.84%	2.40%
				JCI	5,406	0.81%	0.84%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
7-Mar-17	The Export-Import Bank of China	"AA-/Aa3/NR"	USD1.15bn	5-year	CT5+85bps
7-Mar-17	The Export-Import Bank of China	"AA-/Aa3/NR"	USD850mn	10-year	CT10+110bps
6-Mar-17	ICBC international Holdings Ltd.	"NR/A1/NR"	USD650mn	3-year	CT3+110bps
6-Mar-17	Noble Group Ltd.	"NR/B2/BB+"	USD750mn	5NC3	8.75%
6-Mar-17	China SCE Property Holdings Ltd.	"B-/B2/NR"	USD200mn	5NC3	5.875%
6-Mar-17	HSBC Holdings Plc	"A/A1/AA-"	USD2.5bn	6NC5	CT5+125bps
6-Mar-17	HSBC Holdings Plc	"A/A1/AA-"	USD2.5bn	11NC10	CT10+155bps
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

Source: OCBC, Bloomberg

Rating Changes (Cont'd): S&P announced that the ratings and outlook on China Reinsurance (Group) Corp. (China Re Group) and its subsidiaries are not affected following the USD800mn senior unsecured notes issuance by its indirect subsidiary. S&P commented that the issuance has limited impact on China Re Group's gearing and interest coverage, given its strong capitalization. Moody's has placed JD.com Inc's (JD) 'Baa3' issuer rating and senior unsecured bond ratings on review for upgrade. The rating action reflects the planned deconsolidation of JD Finance, which will improve JD.com's profitability and credit profile. Moody's affirmed Times Property Holdings Limited's (Times Property) 'B1' corporate family rating and 'B2' senior unsecured rating on its existing rated notes. In addition, Moody's revised the ratings outlook of Times Property to positive from stable. The rating action reflects Moody's expectation that the company will show an improvement in its credit metrics, supported by strong revenue growth and stable gross margins over the next 12-18 months.

Credit Headlines:

Suntec REIT ("SUN"): SUN has issued a SGD100mn bond paying 3.025% maturing on 16/03/22. The proceeds will be used to refinance existing borrowings. This was consistent with our view (refer OCBC Asian Credit Daily – 27 Feb 2017) that SUN would have to tap capital markets given its existing cash balance of SGD182.5mn (as at-end 2016) versus SGD100mn in loans maturing in 2017, potential liquidity needs for another 25% stake in the Southgate, Melbourne, as well as contributions to the Park Mall redevelopment. We estimate that the bond issue would increase pro forma aggregate leverage from 37.7% (end-2016) to ~39% (assuming that all the cash raised will be spent). As such, SUN has very little debt headroom left. In addition, SUN's Baa2 Moody's credit rating is currently on Negative Outlook. Before the bond issue, we estimate that SUN had a net debt / EBITDA (approximating Moody's adjustments) of 9.7x, based on annualized 4Q2016 EBITDA (as SUN had been making acquisitions which would have boosted EBITDA). After adjusting for the bond issue, net debt / EBITDA would increase to 10.0x, which was one of the triggers that Moody's mentioned. As such, we would eye SUN's 1Q2017 results closely to 1) observe EBITDA generation 2) see if the SGD100mn loan indeed has been refinanced. We will retain our Neutral Issuer Profile on SUN for now. (Company, OCBC)

OUE Ltd. ("OUE"): As of the close of 07/03/17, OUE (along with parties presumed to be acting in concert with it) now controls 64.5% of International Healthway Corp ("IHC"). As mentioned previously (refer OCBC Asian Credit Daily – 27 Feb 2017), due to the change in shareholding event occurring at IHC, the holders of IHCSP'17s and IHCSP'18s could exercise the option of early redemption. Given that relevant documents have to be submitted by 04/03/17, it is possible that some bondholders have already taken this option. In a show of support, OUE (via its subsidiary) had already entered into a shareholder loan agreement with IHC (for a notional amount of SGD50mn). That said, the situation with regards to IHC's two bonds remains uncertain. In a likely move to provide more information, IHC has called for an informal creditors' meeting to be held on 10/03/17. Hopefully, the meeting would provide more clarity as to how the IHCSP'17s and IHCSP'18s will be managed. As mentioned previously, we are currently reviewing OUE's Neutral Issuer Profile to consider the impact of the IHC acquisition, and will update accordingly. (Company, OCBC)

Swiber Holdings Limited ("SWIB"): SWIB has announced that the judicial manager is seeking for an extension of time until 21/07/17 to send creditors a statement of proposals and summon a creditors' meeting. The judicial manager had previously delayed the timeline to March 2017. Originally, the judicial manager had 60 days upon SWIB entering judicial management to revert to creditors with a restructuring proposal. SWIB was placed under judicial management by the courts on 06/10/16 after applying for judicial management (with interim judicial managers already appointed) on 05/08/16. OCBC credit research does not cover SWIB (Company, OCBC).

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