

March 9, 2017

Credit Headlines (Page 2 onwards): OUE Ltd., Central China Real Estate Ltd

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates trading 1-4bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in UOBSP 3.5%'29s, FCLSP 4.15%'27s, and mixed interest seen in SCISP 4.75%'49s, BTHSP 4.87%'19s, SOCGEN 4.3%'26s, OLAMSP 6%'22s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 192bps while the yield on JACI HY corporates rose 2bps to 6.72%. 10y UST yields continued to climb yesterday, by 4bps to 2.56%, after ADP employment figures topped highest estimates. Treasuries managed to pare some losses from strong demand during 10-year auctions.

New Issues: CIMB Bank Berhad priced a USD1bn 2-tranche deal; with the USD500mn 3-year piece priced at 3mL+80bps, tightening from initial guidance of 3mL+105bps; and the USD500mn 5-year piece at CT5+115bps, tightening from initial guidance of CT5+140bps. The expected issue ratings are 'NR/A3/NR'. The Chugoku Electric Power Company Inc. priced a USD500mn 3-year bond at CT3+105bps, tightening from initial guidance of CT3+130bps. The expected issue ratings are 'NR/A3/NR'. KWG Property Holding Ltd. proposed the issuance of USD senior notes in a statement to the Hong Kong Stock Exchange. Kangde Xin Composite Material Group Co. scheduled investor calls on 8 March for potential USD bond issuance. The expected issue ratings are 'NR/Ba3/BB'. Guorui Properties Ltd. scheduled investor roadshows from 9 March for potential USD bond issuance. The expected issue ratings are 'B-/NR/B'. Legal and General Group Plc scheduled investor roadshows on 10th and 13th March for potential USD 30NC10 Tier 2 notes issuance. The expected issue ratings are 'BBB+/Baa1/NR'.

Table 1: Key Financial Indicators

	9-Mar	1W chg (bps)	1M chg (bps)		9-Mar	1W chg	1M chg
iTraxx Asiax IG	95	2	-12	Brent Crude Spot (\$/bbl)	53.53	-2.81%	-3.77%
iTraxx SovX APAC	28	1	-2	Gold Spot (\$/oz)	1,208.06	-2.12%	-1.65%
iTraxx Japan	51	0	-2	CRB	185.05	-3.25%	-4.00%
iTraxx Australia	85	2	-6	GSCI	387.67	-3.86%	-3.51%
CDX NA IG	63	3	-1	VIX	11.86	-5.42%	9.01%
CDX NA HY	107	-1	0	CT10 (bp)	2,558%	7.99	16.30
iTraxx Eur Main	72	2	-2	USD Swap Spread 10Y (bp)	-4	-2	3
iTraxx Eur XO	285	9	-14	USD Swap Spread 30Y (bp)	-40	-2	2
iTraxx Eur Snr Fin	89	2	-4	TED Spread (bp)	36	-9	-14
iTraxx Sovx WE	18	-4	-6	US Libor-OIS Spread (bp)	23	-3	-12
iTraxx Sovx CEEMEA	64	-1	-7	Euro Libor-OIS Spread (bp)	2	0	0
					9-Mar	1W chg	1M chg
				AUD/USD	0.752	-0.65%	-1.34%
				USD/CHF	1.015	-0.15%	-1.30%
				EUR/USD	1.054	0.31%	-1.08%
				USD/SGD	1.418	-0.34%	0.20%
Korea 5Y CDS	48	3	1	DJIA	20,856	-1.23%	3.39%
China 5Y CDS	90	1	-15	SPX	2,363	-1.38%	2.39%
Malaysia 5Y CDS	110	3	-11	MSCI Asiax	565	0.16%	1.68%
Philippines 5Y CDS	86	2	-6	HSI	23,510	-0.92%	-0.07%
Indonesia 5Y CDS	130	3	-9	STI	3,122	-0.46%	1.37%
Thailand 5Y CDS	56	1	-11	KLCI	1,723	0.42%	2.04%
				JCI	5,395	-0.25%	0.42%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
8-Mar-17	CIMB Bank Berhad	"NR/A3/NR"	USD500mn	5-year	3mL+80bps
8-Mar-17	CIMB Bank Berhad	"NR/A3/NR"	USD500mn	10-year	CT5+115bps
8-Mar-17	Chugoku Electric Power Company Inc	"NR/A3/NR"	USD500mn	3-year	CT3+105bps
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

Source: OCBC, Bloomberg

Credit Headlines:

OUE Ltd. (“OUE”): OUE Commercial Trust (“OUECT”), the office REIT subsidiary of OUE (65% owned prior to the private placement), has announced that it completed a private placement of new units (233,281,400 units, or 17.9% of shares outstanding) at a price of SGD0.643 per unit. The private placement would raise ~SGD150mn, with the bulk of the proceeds to be used to partially repay existing borrowings. As of end-2016, OUECT reported SGD342mn in debt due for 2017. The use of the proceeds from the private placement to deleverage OUECT is expected to bring aggregate leverage down from 39.8% to pro forma 35%. The balance of debt due 2017 is expected to be refinanced by a SGD680mn 5-year term loan and revolving loan facility announced in December 2016 (the same facility is expected to refinance SGD280mn in term loans originally due 2019). As OUECT is consolidated into OUE, the above steps would also reduce OUE’s total borrowings as well as extend OUE’s average debt maturity. That said, the consolidation of International Healthway Corp (“IHC”) into OUE’s results would likely drive OUE’s leverage higher. Currently, it is not certain if OUE is participating in OUECT’s private placement. 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)

Central China Real Estate Ltd (“CENCHI”): CENCHI has announced a profit warning for FY2016. This is on the back of expectations that profits attributable to shareholders for FY2016 will decline by ~50% to around RMB400mn. This was primarily attributable to the construction progress of certain projects which were slower than expected. For CENCHI, revenue on income statement is only recognized upon delivery of houses (in line with other Chinese property developers). From a credit perspective, we see no immediate impact to cash flow given that cash collection on such projects would have largely been collected. The company has also added that the total unaudited cash balances as at 31 December 2016 is RMB11.2bn and net debt ratio is ~45% (30 June 2016: 43%). In so far as the SGD200mn CENCHI 6.5% ‘17s are concerned, we see low refinancing risk given that CENCHI had successfully raised USD200mn in November 2016 and we expect gross proceeds will be applied towards redeeming the SGD bond. The company is expected to release its FY2016 financial results by end-March 2017. We are reviewing the issuer profile of CENCHI. (Company, OCBC)

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