

Mar 14, 2018

**Credit Headlines:** Hongkong Land Holdings Ltd/ IOI Properties Group Bhd, OUE Limited

**Market Commentary:** The SGD swap curve was more or less range bound yesterday, with swap rates trading 1-2bps lower across the curve (except the 15yr tenor which traded 0.8bps higher). Flows in SGD corporates were heavy yesterday, with better buying in HSBC 4.7%-PERPs. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 116bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 355bps. 10Y UST yields fell 3bps to 2.84%, on the back of softer February consumer price data (Feb CPI: 0.2% vs Jan CPI: 0.5%), suggesting a gradual pickup in inflation.

**New issues:** Chengdu Xingcheng Investment Group Co Ltd has priced a EUR365mn 3-year bond at MS+250bps, tightening from its initial guidance of MS+265bps. It also priced a EUR135mn 5-year bond at MS+285bps, in line with its initial guidance. The expected issue ratings are 'NR/NR/BBB+'. Rail Transit International Development Co Ltd has priced a EUR400mn 4.25-year green bond (guaranteed by Tianjin Rail Transit Group (Hong Kong) Co Ltd) at MS+145bps, tightening from its initial guidance of MS+155bps. The expected issue ratings are 'NR/Baa1/A'. HuaSing International Holdings Co Ltd has priced a USD300mn 3-year bond (guaranteed by Qingdao China Prosperity State-owned Capital Operation (Group) Co Ltd) at CT3+225bps and a USD200mn 5-year bond at CT5+260bps, tightening from its initial guidance of CT3+250bps and CT5+280bps area respectively. The expected issue ratings are 'BBB-/NR/BBB'. Greenland Global Investment Ltd has priced a CNH1.5bn 3-year bond (guaranteed by Greenland Holding Group Co Ltd) at 7.2%, tightening from its initial guidance of 7.375%. The expected issue ratings are 'NR/Baa2/NR'. Beijing Capital Polaris Investment Co Ltd has scheduled for investor meetings on 14-15 Mar for its potential senior unsecured USD and/or CNH green bonds (guaranteed by Beijing Capital Co Ltd) The expected issue ratings are 'BBB-/Baa3/BBB'. PT Bumi Serpong Damai Tbk has scheduled for investor meetings on 14-16 Mar for its potential USD bond issuance.

Table 1: Key Financial Indicators

	14-Mar	1W chg (bps)	1M chg (bps)		14-Mar	1W chg	1M chg
iTraxx Asiax IG	65	-3	-9	Brent Crude Spot (\$/bbl)	64.70	0.56%	0.53%
iTraxx SovX APAC	11	-1	-3	Gold Spot (\$/oz)	1,324.85	-0.05%	-1.92%
iTraxx Japan	47	-2	-3	CRB	194.28	-1.26%	0.98%
iTraxx Australia	55	-3	-10	GSCI	440.57	-1.71%	0.33%
CDX NA IG	54	-2	-4	VIX	16.35	-10.95%	-15.11%
CDX NA HY	107	0	1	CT10 (bp)	2.841%	-4.20	-6.15
iTraxx Eur Main	49	-3	-7	USD Swap Spread 10Y (bp)	4	3	3
iTraxx Eur XO	252	-10	-28	USD Swap Spread 30Y (bp)	-14	3	3
iTraxx Eur Snr Fin	50	-3	-7	TED Spread (bp)	43	5	16
iTraxx Sovx WE	19	-1	-1	US Libor-OIS Spread (bp)	44	2	16
iTraxx Sovx CEEMEA	33	0	-3	Euro Libor-OIS Spread (bp)	3	0	0
					14-Mar	1W chg	1M chg
				AUD/USD	0.786	0.42%	-0.86%
				USD/CHF	0.944	-0.04%	-1.54%
				EUR/USD	1.239	-0.15%	-0.47%
				USD/SGD	1.312	0.18%	0.19%
Korea 5Y CDS	42	-8	-12	DJIA	25,007	0.49%	0.46%
China 5Y CDS	54	-1	-9	SPX	2,765	1.36%	2.47%
Malaysia 5Y CDS	61	-1	-5	MSCI Asiax	747	3.67%	3.77%
Philippines 5Y CDS	63	0	-4	HSI	31,601	3.57%	3.56%
Indonesia 5Y CDS	87	1	-6	STI	3,554	1.77%	4.43%
Thailand 5Y CDS	38	-2	-4	KLCI	1,864	0.85%	1.59%
				JCI	6,413	-1.34%	-2.75%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Mar-18	Greenland Global Investment Ltd	'NR/Baa2/NR'	CNH1.5bn	3-year	7.2%
13-Mar-18	HuaSing International Holdings Co Ltd	'BBB-/NR/BBB'	USD200mn	5-year	CT5+260bps
13-Mar-18	HuaSing International Holdings Co Ltd	'BBB-/NR/BBB'	USD300mn	3-year	CT3+225bps
13-Mar-18	Rail Transit International Development Co Ltd	'NR/Baa1/A'	EUR400mn	4.25-year	MS+145bps
13-Mar-18	Chengdu Xingcheng Investment Group Co Ltd	'NR/NR/BBB+'	EUR135mn	5-year	MS+285bps
13-Mar-18	Chengdu Xingcheng Investment Group Co Ltd	'NR/NR/BBB+'	EUR365mn	3-year	MS+250bps
12-Mar-18	Land Transport Authority of Singapore	Not rated	SGD900mn	30-year	3.35%
12-Mar-18	Land Transport Authority of Singapore	Not rated	SGD300mn	10-year	2.75%
12-Mar-18	Xinyuan Real Estate Co Ltd	'B-/NR/B'	USD200mn	2-year	9.875%
12-Mar-18	Toyota Industries Corp	'AA-/A1/NR'	USD500mn	10-year	CT10+70bps

Source: OCBC, Bloomberg

**Rating Changes:** S&P has lowered its long-term corporate credit rating on SMRT Corp Ltd (SMRT) and the issue ratings on SMRT's senior unsecured notes to 'AA+' from 'AAA'. The outlook is stable. The rating action reflects SMRT's materially higher operating costs, expected weaker operating cash flows and higher leverage over the next 18-24 months. S&P has upgraded its long-term issuer credit rating on Shanghai Rural Commercial Bank Co Ltd (SRCB) to 'BBB' from 'BBB-'. The outlook is stable. The rating action reflects the improved credit standing of Shanghai municipal government, believing that the robust revenue growth supported by Shanghai's strong economy will help the municipal government maintain its budget surplus and very high debt-service coverage ratio. S&P has assigned its 'B+' long-term corporate credit rating and 'B+' long-term issue rating to China Huayang Economic and Trade Group Co Ltd (Huayang). The outlook is stable. The rating action reflects S&P's expectation that Huayang will maintain its market position in its trading business and further develop its petrochemicals business. Moody's has assigned a 'Ba2' senior unsecured rating to Greenland Holding Group Co Ltd's proposed CNY notes. The outlook is negative. The rating action reflects the uncertainty surrounding its plan to lower its high debt leverage. Fitch has withdrawn its 'CCC' long-term foreign and local currency issuer default ratings for China Properties Group Ltd (CPG) as well as its 'CCC' senior unsecured rating, as CPG has chosen to stop participating in the rating process.

## Credit Headlines:

**Hongkong Land Holdings Ltd ("HKL") / IOI Properties Group Bhd ("IOI PG"):** In June 2017, IOI PG (via its wholly-owned subsidiary, Wealthy Link Pte Ltd) had entered into a Memorandum of Agreement ("MoA") with HKL to jointly own and develop a land parcel at the Marina Bay Financial Centre area. IOI PG announced that the MoA has been terminated due to the non-fulfilment of certain conditions precedent. Effectively, the proposed joint venture between IOI PG and HKL will not go ahead. This reverses our expectations for net gearing for HKL [to rise somewhat to ~12%](#) (from end-December 2017: 7%). With announced total commitments of USD1.4bn, HKL's net gearing is likely to only inch to ~10%. No new joint venture partner for IOI PG has been announced. (Company, OCBC)

**OUE Limited ("OUE"):** OUE announced that it has raised SGD154.75mn 1.5% 5NP3 convertible bonds (strike price of SGD2.112 or 10% premium to previous close) as well as raised SGD150mn 3% 5NP3 exchangeable bonds (which exchange into shares of OUE-HT at a strike price of SGD0.957 or 10% premium to previous close). As a reference, as of end-2017, OUE had SGD1.08bn in short term debt, versus SGD535.2mn in cash. As per management disclosure, SGD0.3bn of the short-term debt is due in 1Q2018. Management had also indicated that about SGD0.5bn of the short-term debt is at the OUE-CT level (consolidated) which are likely to be refinanced. In our view, given that OUE is trading sharply below book at 0.42x, there is a fair chance of the convertible bond option being exercised. There are several near-term catalyst that would allow OUE to monetize its balance sheet, such as ~SGD480mn in unrecognized revenue from the sale of Twin Peak units as well as the potential injection of OUE Downtown into its REITs. Comparatively, OUEHT is already trading at a premium to book at 1.12x, hence the exercise of the exchange option is less likely. In aggregate, we consider the transactions to be a credit positive as it is likely that the proceeds will be used to refinance OUE's near-term maturities. That being said, the infusion of liquidity at this point in time does increase the call risk of the OUESP'19s. The call is for 30/04/18 at 101.06, though OUE will have to give 30 days' notice if they intent to exercise the call. That being said, the spread of the OUESP'19s remains at ~170bps on both a YTW and YTM basis, as such it remains attractive relative to other developers. In general, we remain Overweight on the OUESP'19s, OUESP'20s and OUESP'22s while we believe that the OUESP'23s are trading at fair value. We currently hold OUE at Neutral (4) Issuer Profile. (Company, OCBC)

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