

January 16, 2018

Credit Headlines (Page 2 onwards): AIMS AMP Capital Industrial REIT, Sabana Shari'ah Compliant Industrial REIT, Singapore Airlines Ltd

Market Commentary: The SGD swap curve bull-steepened yesterday, with the swap curves for the shorter tenors trading 1-2bps lower while the longer tenors traded 3-4bps lower. Flows in SGD corporates were heavy, with better buying seen in EREIT 4.6%-PERPs and better selling seen in OLAMSP 4.25%'19. In the broader dollar space, both the Bloomberg Barclays Asia USD IG Bond Index average OAS and Bloomberg Barclays Asia USD HY Bond Index average traded little changed at 109bps and 277bps respectively. 10Y UST yield were flat as U.S markets were closed yesterday for a public holiday.

New Issues: Guangxi Financial Investment Group Co Ltd has priced its USD500mn 3-year bond at 5.95%, inside initial price guidance of ~6.25%. The expected issue ratings are 'NR/Baa1/NR'. Tata Steel Ltd has scheduled investor meetings from 15 Jan for a potential bond issuance. Concord New Energy Group Ltd has hired banks for its USD 3-year bond issuance. The expected issue ratings are 'BB-/NR/BB-'. ANZ Bank New Zealand Ltd has also hired banks for a potential USD 144A/ Reg S benchmark deal. PT Medco Energi Internasional Tbk has scheduled investor meetings from 16 Jan for its potential USD bond issuance. Sino Trendy Investment Ltd has scheduled investor meetings from 16 Jan for its potential bond issuance (guaranteed by Guangxi Communications Investment Group Corporation Ltd). The expected issue ratings are 'NR/NR/BBB'. GLL IHT Pte Ltd has priced its SGD350mn Perp NC5 bond (guaranteed by GuocoLand Ltd) at 4.6%, tightening from its initial price guidance of 4.85% area.

Rating Changes: Moody's has affirmed Zurich Insurance Australia Ltd's financial strength rating of 'Aa3' and 'A1' senior unsecured debt rating. The outlook is stable. The rating action reflects the company's strong market position and franchise in the global P&C insurance market, coupled with its good geographical and business diversification as well as its strong levels of capitalisation and financial flexibility. Moody's however acknowledged that these strengths are partly offset by its volatile

Table 1: Key Financial Indicators

	16-Jan	1W chg (bps)	1M chg (bps)		16-Jan	1W chg	1M chg
iTraxx Asiax IG	61	0	-9	Brent Crude Spot (\$/bbl)	70.26	3.66%	11.12%
iTraxx SovX APAC	10	-1	-4	Gold Spot (\$/oz)	1,341.10	2.15%	6.25%
iTraxx Japan	43	-1	-3	CRB	196.06	1.35%	6.25%
iTraxx Australia	54	1	-7	GSCI	453.23	2.14%	7.99%
CDX NA IG	47	1	-3	VIX	10.16	10.20%	7.86%
CDX NA HY	109	0	0	CT10 (bp)	2.554%	0.05	20.05
iTraxx Eur Main	45	1	-4	USD Swap Spread 10Y (bp)	-1	1	1
iTraxx Eur XO	232	7	-6	USD Swap Spread 30Y (bp)	-19	1	1
iTraxx Eur Shr Fin	43	0	-4	TED Spread (bp)	28	-3	3
iTraxx Sovx WE	0			US Libor-OIS Spread (bp)	24	-2	3
iTraxx Sovx CEEMEA	33	-1	-7	Euro Libor-OIS Spread (bp)	1	0	-1
					16-Jan	1W chg	1M chg
				AUD/USD	0.796	1.74%	3.86%
				USD/CHF	0.963	2.06%	2.34%
				EUR/USD	1.227	2.76%	4.11%
				USD/SGD	1.323	0.98%	1.85%
Korea 5Y CDS	43	-2	-12	DJIA	25,803	2.01%	4.67%
China 5Y CDS	47	3	-4	SPX	2,786	1.57%	4.13%
Malaysia 5Y CDS	53	1	-7	MSCI Asiax	744	0.22%	7.14%
Philippines 5Y CDS	55	2	-5	HSI	31,339	1.42%	8.63%
Indonesia 5Y CDS	80	1	-11	STI	3,536	0.69%	3.50%
Thailand 5Y CDS	41	0	-4	KLCI	1,826	-0.34%	4.16%
				JCI	6,382	-0.05%	4.29%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
16-Jan-18	Guangxi Financial Investment Group Co Ltd	'NR/Baa1/NR'	USD500mn	3-year	5.95%
15-Jan-18	GLL IHT Pte Ltd	Not rated	SGD350mn	Perp NC5	4.6%
12-Jan-18	Moss Creek Resources Holdings Ltd	'B+/NR/NR'	USD700mn	8NC3	7.5%
12-Jan-18	Heeton Holdings Ltd	Not rated	SGD118mn	3.5-year	6.08%
11-Jan-18	Yingde Gases Investment Ltd	'B/Caa1/B+'	USD500mn	5NC3	6.30%
11-Jan-18	Rosy Delta Investment Ltd	Not rated	USD150mn	6-year	4.875%
11-Jan-18	Leader Goal International Ltd	'NR/Baa1/BBB+'	USD500mn	Perp NC5	4.25%
11-Jan-18	Petron Corporation Ltd	Not rated	USD500mn	Perp NC5.5	4.6%
11-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD1bn	20-year	CT20+105bps
11-Jan-18	Tencent Holdings Ltd	'A+/A2/A+'	USD2.5bn	10-year	CT10+105bps

Source: OCBC, Bloomberg

Rating Changes (cont'd): profitability in the P&C insurance segment, but the company's portfolio pruning and price increases implemented over the past two years are starting to show results in the reduction of attritional loss ratio which Moody's expects to improve in 2018. Fitch has upgraded Parkson Retail Group Ltd's issue default rating to 'B-' from 'CCC', removing the ratings from Rating Watch Positive. The outlook is stable. The rating action reflects Fitch's expectations that Parkson's liquidity will improve in 2018 after successfully securing a refinancing arrangement from Bank of Beijing for its USD500mn bonds maturity in May 2018. Moody's has affirmed PT Medco Energi Internasional Tbk's (Medco) 'B2' corporate family rating. It has also affirmed the 'B2' rating for its senior unsecured bonds issued by Medco Straits Services Pte Ltd, a wholly-owned subsidiary of Medco. The outlook was revised to positive from stable. The rating action reflects Moody's expectations that Medco's credit metrics will continue to improve over the next 12 months, underpinned by stronger cash flow generation from its oil and gas business and the company's debt reduction plan. Moody's has affirmed the 'A3' issuer rating on Malaysia Airport Holdings Bhd (MAHB) and changed the outlook to stable from negative. The rating action reflects MAHB's strengthening credit profile, attributed to its stabilising overseas operations and continued resilience in its domestic market. Moody's expects robust traffic growth in Malaysia to persist, especially for the higher-yielding international passenger segment, which grew 14.1% in 2017. Fitch has revised Lifestyle International Holdings Ltd's (Lifestyle) outlook to stable from negative. Fitch has also affirmed Lifestyle's foreign-currency issue default rating, foreign-currency senior unsecured bond rating and all its outstanding bonds at 'BB+'. The rating action reflects Lifestyle's sufficient funding arrangement for the development of a commercial site in Kai Tak, Kowloon into a large retail property and stable operations at its existing stores. S&P has assigned Jiangsu Zhongnan Construction Group Co Ltd a 'B' long-term corporate credit rating. The outlook is stable. The rating action reflects Zhongnan's growing contracted sales and established market positions in China's Jiangsu province. S&P however acknowledged that the company's rapid expansion would create more cash flow pressure should there be a slowdown in China's property market. This increases the execution risk given substantial established competition.

Credit Headlines:

AIMS AMP Capital Industrial REIT ("AAREIT"): AAREIT announced that it has entered into an agreement for the sale of 10 Soon Lee Road for SGD8.2mn. The sale price represents ~28% premium over the property's latest valuation of SGD6.4mn as at 30 September 2017. This is a small transaction for AAREIT and we see no change to its credit profile. Post AAREIT's SGD55mn equity private placement in November 2017 and assuming the divestment is completed, AAREIT's aggregate leverage will decrease to 33.3% on a pro-forma basis (30 September 2017: 37.3%). (Company, OCBC)

Sabana Shari'ah Compliant Industrial REIT ("SSREIT"): In a response to the SGX, SSREIT stated that it has respectively identified a candidate as CEO and another candidate as independent non-executive director. Applications for the appointment of both has been submitted to the MAS and is pending approval. SSREIT added that it has not received binding offers for its strategic review and the intention is for the strategic review to cease once the new CEO and new independent non-executive director are appointed. Nonetheless, SSREIT added that it will remain open to considering proposals from prospective strategic partners. We continue to hold SSREIT at an issuer profile of Neutral(5) since lifting it from Negative(6) on 9 January 2018 in the [OCBC Credit Research - Singapore Credit Outlook 2018](#) (Company, OCBC)

Singapore Airlines Ltd ("SIA"): Vistara (SIA's joint venture in India with Tata), is reportedly keeping its options open with regards to the proposed divestment of Air India by the Indian government. On 10 January 2018, the Indian government announced its cabinet decision to allow foreign companies to own up to 49% in Air India ("AI"), a move that provides much needed clarity on foreign direct investment ("FDI") policy for potential foreign bidders. Advisors on the privatisation have been identified and expression of interests will be sought by February. Based on information available as at 15 January 2018, the government/seller intends to break up the airline into four companies and offer to sell each separately. Additionally, non-core debt owed by AI may be brought onto the government's balance sheet while borrowings for core operations will be retained by the unit on offer. While it is too early to say if SIA would indeed get involved with a potential bid for AI, the airline has long signalled its strategic intent to expand in the Indian market. We will continue to monitor the situation. (Economic Times, Bloomberg, OCBC)

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