

Apr 4, 2018

Market Commentary

- The SGD swap curve steepened yesterday, with the swap rates for the shorter tenors trading 1bps higher while the longer tenors trading 1-3bps higher.
- Flows in SGD corporates were heavy yesterday with better buying seen in BAERVX 5.9%-PERP and HSBC 4.7%- PERP.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS narrowed 1bps to 125bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 6bps to 356bps.
- 10Y UST yields rose 5bps to 2.78%, as equities stabilized yesterday and investors looked ahead to Friday's closed watched employment report for March.

Credit Headlines

Frasers Property Ltd ("FPL") | Issuer Profile: Neutral (4)

- FPL has announced that it is restructuring the form in which it will be making its investments in the One Bangkok Holdings ("OBH") joint venture. Previously, FPL originally (based on the announcement dated 03/04/17) acquired a 19.9% stake in OBH, which would in turn be the master developer for a mixed-used development project in central Bangkok. The 80.1% stakeholder of OBH was to be TCC Assets (Thailand, "TCCAT"), with TCCAT controlled by the Sirivadhanabhakdi family (which also controls FPL). FPL's capital commitment for the venture was to be up to THB7.1bn (~SGD287.6mn) which would be funded progressively depending on project needs.
- Now, OBH would instead be an investment holding company, which would in turn hold a 80.1% stake in One Bangkok Ventures ("OBV"). FPL would also subscribe to a 19.9% stake in OBV. OBV would in turn hold stakes in the Kasemsubvadhana Company Ltd ("KSV"). KSV would instead be the master developer for the central Bangkok project (instead of OBH). FPL would also subscribe to a 3.5% stake in KSV (while OBV and TCCAT will have 45.5% and 51.0% respectively). Based on our estimates, the effective ownership of FPL on the central Bangkok development remains relatively consistent at ~19.8%, which in turn reconciles with the effective economic interest disclosed by FPL's management.
- According to FPL, due to the restructuring, the overall capital commitment would remain the same at ~THB7.1bn, though the sums committed to the various entities (OBH, OBV, KSV) would differ from the original plan as the result of the restructuring. In our view, though the effective economic interest as well as required capital commitments from FPL remains unchanged from the original April 2017 plan, FPL now faces additional structural subordination from the project assets, as rather than owning 19.9% of OBH with OBH being the master developer outright, FPL now only owns 3.5% of KSV directly, with the balance of its stake held indirectly via OBH and OBV. We will continue to hold FPL's Issuer Profile at Neutral (4) for now, as the committed sums of ~SGD300mn over the life of the project is manageable given the SGD28.1bn total assets that FPL held as of end-1QFY2018. (Company, OCBC)

Credit Headlines (cont'd):

G8 Education Ltd (“G8”) | Issuer Profile: Neutral (5)

- Jenny Hutson, former chairwoman of G8 (Mar 2010 – Oct 2015), was charged after a Australian Securities and Investments Commission investigation into G8's takeover bid for Affinity Education Group (“Affinity”) in 2015. According to The Sydney Morning Herald, the Takeovers Panel was alerted as a shareholder accepted G8's offer (valuing Affinity at AUD162mn) over a more compelling competing offer (AUD208mn). It was found that interests linked to Ms Hutson held 10% stakes in Affinity which had not been declared.
- G8's CEO, Gary Carroll, said that ‘all the allegations are about her’.
- While we see no immediate impact on G8's operations as Ms Hutson had already resigned in 2015, this nonetheless puts G8 in a negative light. With operational performance expected to continue deteriorating in 1H2018 due to the oversupply of childcare centres weighing on occupancy, we continue to reiterate our Underweight recommendation for GEMAU 5.5% '19s. Meanwhile, we will continue to monitor the potential impacts on G8, noting that G8 had acquired numerous childcare centres when Ms Hutson was at the helm. (The Sydney Morning Herald)

Banyan Tree Holdings (“BTH”) | Issuer Profile: Neutral (5)

- On 23 January 2017, BTH announced that it was entering into a strategic partnership with China Vanke Co. Ltd (“VNRLE”). As part of the partnership, BTH and VNRLE agreed to create Banyan Tree China (“BTC”), a new joint venture entity to consolidate the ownership of Banyan Tree-branded hotels and assets in China into this entity. BTH was initially controlled on a 50:50 basis by Banyan Tree and VNRLE with certain China assets owned by BTH (eg: Banyan Tree Lijiang Hotel, Banyan Tree Ringha hotel, property services and hotel management businesses) injected into the joint venture.
- At time of the January 2017 announcement, it was also contemplated that in the future (to be determined mutually), the BTC joint venture shall offer to purchase all the assets and interests of other Limited Partners' stake in Banyan Tree China Hospitality Fund (“China Fund”) and BTH's 5% equity investment in the China Fund. The China Fund is a real estate private equity fund denominated in RMB. Per Hotel News Now, a hospitality sector trade journal, the fund closed with total capital commitments of RMB1.07bn (~SGD223mn) in 2011 while a wholly-owned subsidiary of BTH was the general partner of the China Fund.
- Before re-valuation, the book value of BTH's 5% stake in China Fund was ~SGD12mn as at 30 September 2016 though had fallen to SGD6.9mn as at end-2017. Historically, the China Fund was recorded as a long-term investment at the BTH level.
- On 2 April 2018, BTH announced that BTH and VNRLE (via associates/joint ventures and subsidiaries respectively) have acquired all the hotel assets owned by the China Fund.
- Per company, the acquisition was done via Shanghai Yuewan Enterprise Management Co. (“SYW”), an entity (we think set up for this purpose). SYW is 6.7% owned by BTH and the remainder 93.3% owned by VNRLE. SYW paid RMB1.4bn (~SGD280.6mn) for the acquisition of China Fund's assets and the purchase price was jointly funded by each of BTH and VNRLE in accordance with their respective shareholding proportions in SYW.
- Subsequently, SYW was acquired by the BTC joint venture for an undisclosed sum (though in our view possibly higher than RMB1.4bn). The transaction saw BTH's effective interest in the BTC joint venture diluted down to 22.8% from an initial 50% ownership. In our view, we think the reduction in BTC's stake in the joint venture implies that BTH had paid for the SYW acquisition in shares and there is no cash outflow from BTH. BTH though is likely to report gains from the sale which should boost its book value equity.
- Nonetheless, we think the impending negative credit impact from BTH's [proposed acquisition of a 34.25% stake in Laguna Resorts & Hotels](#) will outweigh the boost to book value equity. (Company, OCBC)

Credit Headlines (cont'd):

Ascendas Real Estate Investment Trust ("AREIT") | Issuer Profile: Neutral (3)

- AREIT has entered into a sale and purchase agreement with Soon Bee Huat Trading Pte Ltd for the sale of No. 30 Old Toh Tuck Road for SGD24.0mn. As at 31 March 2018, an independent valuer pegged the market valuation of the property at SGD20.3mn. The sale price is thus 18% higher than valuation and 22% higher than the original purchase price in June 2006.
- Assuming that the net proceeds is used to repay borrowings, AREIT's aggregate leverage will be reduced by 0.2pp from 35.2% as at end-2017. Given the small scale of the transaction, we see the divestment as credit neutral. (Company, OCBC)

Golden Agri-Resources Ltd ("GGR") | Issuer Profile: Neutral (5)

- GGR was in the midst of [selling its Tianjin oilseeds business](#) which had been a drag. The Tianjin business is held by an indirect wholly-owned subsidiary Sinarmas Natural Resources (China) Investment Co., Ltd and was proposed to be sold to Louis Dreyfus (via its wholly-owned subsidiary LDC (China) Trading Company Limited) for USD111mn (~SGD145.5mn).
- GGR has announced that the sale has completed though the final consideration is subject to completion adjustments (eg: working capital) though the company does not expect the difference to be material.
- In January 2018, GGR raised SGD150mn in senior bonds and in addition to the amounts received from the sale, this removes the refinancing risk of the GGRSP'18s in end-April 2018.
- We are Overweight the GGRSP'21s which have a ask yield to maturity of 5.0%.

Table 1: Key Financial Indicators

	4-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	77	-2	8
iTraxx SovX APAC	13	0	1
iTraxx Japan	51	1	11
iTraxx Australia	71	0	11
CDX NA IG	67	-1	11
CDX NA HY	106	0	-1
iTraxx Eur Main	61	-1	7
iTraxx Eur XO	289	-2	20
iTraxx Eur Snr Fin	66	-2	10
iTraxx Sovx WE	18	0	-2
AUD/USD	0.771	0.65%	-0.68%
EUR/USD	1.228	-0.21%	-0.44%
USD/SGD	1.311	0.11%	0.59%
China 5Y CDS	62	-2	6
Malaysia 5Y CDS	73	-2	10
Indonesia 5Y CDS	102	-2	15
Thailand 5Y CDS	46	-1	5

	4-Apr	1W chg	1M chg
Brent Crude Spot (\$/bbl)	67.92	-3.12%	5.51%
Gold Spot (\$/oz)	1,334.75	0.74%	1.11%
CRB	193.21	-1.31%	-0.47%
GSCI	446.90	-1.36%	1.21%
VIX	21.1	0.33%	7.71%
CT10 (bp)	2.779%	-0.18	-8.54
USD Swap Spread 10Y (bp)	3	1	2
USD Swap Spread 30Y (bp)	-16	0	3
TED Spread (bp)	59	4	20
US Libor-OIS Spread (bp)	58	-1	18
Euro Libor-OIS Spread (bp)	3	0	0
DJIA	24,033	-0.70%	-2.06%
SPX	2,614	-1.66%	-2.85%
MSCI Asiax	716	0.56%	-0.68%
HSI	30,141	-1.34%	-1.45%
STI	3,392	-1.37%	-2.50%
KLCI	1,848	-0.51%	-0.42%
JCI	6,235	0.41%	-5.28%

Source: OCBC, Bloomberg

New issues

- There are no new issues over 3 Apr 2018.

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
29-Mar-18	SMRT Capital Pte Ltd	SGD200mn	5-year	2.59%
29-Mar-18	Greenland Global Investment Ltd	USD60mn	GRNLGR 5.25%'21	100+accrued interest
28-Mar-18	Shougang Group Co Ltd	USD500mn	360-day	3.95%
27-Mar-18	Ease Trade Global Ltd	USD350mn	3-year	5.2%
27-Mar-18	Baoxin Auto Finance I Ltd	USD300mn	364-day	6.625%
26-Mar-18	Car Inc	CNH400mn	3NC2	6.95%
26-Mar-18	Agile Group Holdings Ltd	USD100mn	AGILE 6.875% Perp NC5	100+accrued interest
26-Mar-18	Huaxin Pharmaceutical (HK) Co Ltd	USD56mn	TAIHUA 6.8%'21	100+accrued interest
23-Mar-18	Land Transport Authority of Singapore	SGD300mn	LTAZSP 3.35%'48	100+accrued interest

Source: OCBC, Bloomberg

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "**Relevant Materials**") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "**Relevant Entity**") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID**") and the EU's Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (together referred to as "**MiFID II**"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).