

January 5, 2018

Credit Headlines (Page 2 onwards): CapitaLand Ltd, Henderson Land Development Co Ltd

Market Commentary: The SGD swap curve steepened yesterday, with swap rates of the 1-year to 12-year tenors trading 1-2bps lower, while swap rates of the 20-year tenor traded 2bps higher. Flows in SGD corporates were heavy, with better buying seen in LMRTSP 6.6%-PERPs and better selling seen in SIASP 3.13%’26s. In the broader dollar space, the spread on the Itraxx Asia ex-Japan fell 1bps to 65bps. 10y UST yields traded little changed at 2.45% as rates rose after ADP Employment data came in higher than expected, but fell back to the opening level towards the end of the trading session.

New Issues: CITIC Ltd has priced a two-tranche deal, with the USD250mn 5.5-year bond priced at CT5+125bps, tightening from initial guidance of CT5+150bps, and the USD500mn 10-year bond at CT10+155bps, tightening from initial guidance of CT10+180bps. The expected issue ratings are ‘BBB+/A3/NR’. Easy Tactic Ltd has priced a USD100mn re-tap of its GZRFPR 5.875%’23s (guaranteed by R&F Properties (HK) Company Ltd) at 6.0%. The expected issue ratings are ‘NR/NR/BB’. Yingde Gases Investment Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Yingde Gases Group Company Ltd) from 5 Jan.

Rating changes: Moody’s has placed Yingde Gases Group Company Limited’s (Yingde Gases) ‘B3’ corporate family rating and the ‘Caa1’ senior unsecured rating on the existing bond that Yingde Gases guarantees on review for upgrade. At the same time, Moody’s has assigned a ‘Caa1’ rating to the proposed senior unsecured notes that Yingde Gases guarantees. Similarly, the rating on the proposed senior unsecured notes were placed on review for upgrade. The rating action reflects Moody’s view that the refinancing of Yingde Gases’ upcoming notes would address the refinancing risk as reflected in its ‘B3’ rating, and the corporate family rating could be upgraded to ‘B1’ to reflect Yingde Gases’ continued revenue growth, stable profitability and deleveraging. S&P has also placed Yingde Gases’ ‘CCC+’ corporate credit rating and ‘CCC’ issue rating on CreditWatch with positive implications.

Table 1: Key Financial Indicators

	5-Jan	1W chg (bps)	1M chg (bps)		5-Jan	1W chg	1M chg
iTraxx Asiax IG	65	-2	-7	Brent Crude Spot (\$/bbl)	68.04	1.98%	8.24%
iTraxx SovX APAC	12	-1	-2	Gold Spot (\$/oz)	1,321.43	1.43%	4.40%
iTraxx Japan	45	0	-1	CRB	195.37	2.04%	4.21%
iTraxx Australia	55	-3	-8	GSCI	447.83	2.34%	5.93%
CDX NA IG	46	-4	-6	VIX	9.22	-11.94%	-18.62%
CDX NA HY	109	1	1	CT10 (bp)	2.454%	4.90	10.35
iTraxx Eur Main	43	-1	-4	USD Swap Spread 10Y (bp)	-1	0	-2
iTraxx Eur XO	224	-6	-3	USD Swap Spread 30Y (bp)	-20	0	-1
iTraxx Eur Snr Fin	42	-2	-4	TED Spread (bp)	31	4	7
iTraxx Sovx WE	0			US Libor-OIS Spread (bp)	24	-2	11
iTraxx Sovx CEEMEA	31	-2	-13	Euro Libor-OIS Spread (bp)	2	1	1
					5-Jan	1W chg	1M chg
				AUD/USD	0.785	0.53%	3.19%
				USD/CHF	0.974	0.00%	1.34%
				EUR/USD	1.207	0.55%	2.07%
				USD/SGD	1.327	0.66%	1.49%
Korea 5Y CDS	50	-2	-8	DJIA	25,075	1.21%	3.70%
China 5Y CDS	48	-2	-7	SPX	2,724	1.54%	3.59%
Malaysia 5Y CDS	56	-2	-6	MSCI Asiax	733	3.12%	5.87%
Philippines 5Y CDS	57	-2	-5	HSI	30,867	3.36%	7.02%
Indonesia 5Y CDS	83	-2	-10	STI	3,491	2.70%	1.53%
Thailand 5Y CDS	44	-1	-3	KLCI	1,814	1.99%	5.19%
				JCI	6,292	0.24%	4.86%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
5-Jan-18	Easy Tactic Ltd	‘NR/NR/BB’	USD100mn	GZRFPR 5.875%’23s	6%
5-Jan-18	CITIC Ltd	‘BBB+/A3/NR’	USD500mn	10-year	CT10+155bps
5-Jan-18	CITIC Ltd	‘BBB+/A3/NR’	USD250mn	5.5-year	CT5+125bps
4-Jan-18	Swire Properties MTN Financing Ltd bond	‘NR/A2/A’	USD500mn	10-year	CT10+110bps
4-Jan-18	Commonwealth Bank Of Australia	‘BBB/Baa1/A+’	USD1.25bn	30-year	CT30+153bps
15-Dec-17	CFLD (Cayman) Investment Ltd	Not Rated	USD500mn	3-year	6.5%
15-Dec-17	China Shandong International Economic & Technical Finance 1 Ltd	Not Rated	USD400mn	3-year	4%
15-Dec-17	Luso International Banking Ltd	Not Rated	USD250mn	10NC5.5	5.375%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's has downgraded Global Logistic Properties Limited's (GLP) issuer rating, unsecured MTN program and senior unsecured ratings on the notes issued under the MTN program to 'Baa3' from 'Baa2'. The outlook is negative. The rating action reflects GLP's escalated financial risk, as seen by the increase in debt leverage, its initiative to develop its China financial services and its fast pace and scope of expansion. Fitch has downgraded LVGEM (China) Real Estate Investment Company Limited's (LVGEM) Issuer Default Rating, senior unsecured rating and rating on its outstanding USD notes to 'B' from 'B+'. The outlook is stable. Fitch has also removed the ratings from Rating Watch Negative. The rating action follows LVGEM's completion of a Hong Kong office building, which raises LVGEM's leverage. The rating action also reflects LVGEM's sales that were below Fitch's expectation. However, Fitch does acknowledge LVGEM's quality investment properties and strong recurring income.

Credit Headlines:

CapitaLand Ltd ("CAPL"): CAPL announced entering into agreements with third parties (this was reported to be China Vanke) to divest equity stakes in entities that hold 20 retail assets in China. The assets have an agreed value of RMB8.37bn (~SGD1.71bn). The transaction is expected to close in 2Q2018, with CAPL receiving SGD660.0mn in net proceeds, and booking SGD75.0mn in divestment gains. These assets are spread across 19 cities, of which CAPL deemed 14 to be non-core cities (CAPL had just one mall each in these cities). Management has indicated that the divestment would facilitate resource optimization, as it would concentrate CAPL's China mall network to 22 cities, a reduction from 36 before. This is in line with CAPL's strategy of building retail exposure across five core city clusters. On a pro-forma basis, the transaction would drive net gearing lower to ~41% (3Q2017: 43%). That said, the Asia Square Tower 2 acquisition (completed 4Q2017) and Rock Square mall acquisition (completion targeted for 1Q2018) would drive pro-forma net gearing higher to ~45% in aggregate. (Company, OCBC)

Henderson Land Development Co Ltd ("HLD"): HENLND will be selling a Grade A office building at North Point for HKD9.95bn (HKD30,169 psf). Post transaction, we expect net gearing to fall to 0.15x (1H2017: 0.19x). We continue to hold HLD at a Neutral Issuer Profile. (South China Morning Post, OCBC)

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

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