

January 8, 2018

**Credit Headlines (Page 2 onwards):** Lippo Malls Indonesia Retail Trust, Fraser and Neave Ltd, Mapletree Logistics Trust

**Market Commentary:** The SGD swap curve fell last Friday, with the swap curve trading 1-2bps lower across most tenors. Flows in SGD corporates were heavy, with better buying seen in OLAMSP 5.5%-PERPs. In the broader dollar space, the spread on the Itraxx Asia ex-Japan traded 2bps lower to 62bps last Friday. The 10y UST fell to 2.43% in the earlier part of the day last Friday due to lackluster payroll gains in the December jobs report. The gains in Treasuries were however short-lived with the 10y UST yields recovering 2.37bps to 2.47% last Friday due to rate-locking selling flows against this week's corporate calendar.

**New Issues:** Zhongyuan Sincere Investment Co (guaranteed by Zhongyuan Yuzi Investment Holding Co) has scheduled for investors meeting in Hong Kong and Singapore from 8 Jan for a potential USD bond issuances. The expected issue ratings are 'NR/NR/A-'. International Container Terminal Services Inc. (ICTSI) has scheduled for investor meetings in Asia and Europe for perpetual fixed-for-life capital securities. Garuda Indonesia is seeking to hire banks for its USD750mn bond offer.

**Rating changes:** Fitch has assigned Zhongyuan Yuzi Investment Holding Group Co Ltd's (Yuzi) issuer default rating and its US dollar senior unsecured guaranteed notes an expected rating of 'A-'. The outlook is stable. The rating action reflects Yuzi's strong likelihood of extraordinary support from the government as its rating is being credit linked, but not equalised with Henan province. Moody's has upgraded West China Cement Limited's (WCC) corporate family and senior unsecured ratings to 'Ba3' from 'B1'. The outlook is stable. The rating action reflects an improvement in WCC's capital structure. It also reflects Moody's view that the increase in WCC's revenue and profitability will be sustainable due to higher cement prices as a result of favourable structural changes in key cement markets. S&P has assigned Singapore Life Pte Ltd ('Singapore Life') a local currency long-term financial strength and issuer credit rating of 'BBB'. The outlook is stable.

**Table 1: Key Financial Indicators**

|                    | 8-Jan | 1W chg (bps) | 1M chg (bps) |                            | 8-Jan    | 1W chg | 1M chg |
|--------------------|-------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG    | 62    | -5           | -11          | Brent Crude Spot (\$/bbl)  | 67.70    | 1.24%  | 6.78%  |
| iTraxx SovX APAC   | 11    | -1           | -3           | Gold Spot (\$/oz)          | 1,320.81 | 1.38%  | 5.79%  |
| iTraxx Japan       | 44    | -1           | -2           | CRB                        | 193.45   | 0.21%  | 4.56%  |
| iTraxx Australia   | 54    | -4           | -10          | GSCI                       | 443.76   | 0.88%  | 5.57%  |
| CDX NA IG          | 46    | -4           | -6           | VIX                        | 9.22     | -9.43% | -3.76% |
| CDX NA HY          | 109   | 1            | 1            | CT10 (bp)                  | 2.476%   | 7.09   | 12.54  |
| iTraxx Eur Main    | 44    | -1           | -5           | USD Swap Spread 10Y (bp)   | -1       | 1      | -2     |
| iTraxx Eur XO      | 222   | -11          | -12          | USD Swap Spread 30Y (bp)   | -20      | 0      | 0      |
| iTraxx Eur Shr Fin | 42    | -2           | -4           | TED Spread (bp)            | 31       | -1     | 8      |
| iTraxx Sovx WE     | 0     |              |              | US Libor-OIS Spread (bp)   | 25       | -2     | 10     |
| iTraxx Sovx CEEMEA | 31    | -2           | -14          | Euro Libor-OIS Spread (bp) | 2        | 0      | 1      |
|                    |       |              |              |                            |          |        |        |
|                    |       |              |              |                            | 8-Jan    | 1W chg | 1M chg |
|                    |       |              |              | AUD/USD                    | 0.786    | 0.73%  | 4.70%  |
|                    |       |              |              | USD/CHF                    | 0.975    | 0.02%  | 1.84%  |
|                    |       |              |              | EUR/USD                    | 1.204    | 0.26%  | 2.29%  |
|                    |       |              |              | USD/SGD                    | 1.327    | 0.69%  | 1.97%  |
|                    |       |              |              |                            |          |        |        |
| Korea 5Y CDS       | 48    | -4           | -10          | DJIA                       | 25,296   | 1.85%  | 3.97%  |
| China 5Y CDS       | 47    | -3           | -10          | SPX                        | 2,743    | 2.07%  | 3.46%  |
| Malaysia 5Y CDS    | 54    | -4           | -10          | MSCI Asiax                 | 738      | 3.48%  | 6.86%  |
| Philippines 5Y CDS | 55    | -4           | -9           | HSI                        | 30,815   | 3.18%  | 7.59%  |
| Indonesia 5Y CDS   | 80    | -5           | -16          | STI                        | 3,489    | 2.66%  | 1.89%  |
| Thailand 5Y CDS    | 42    | -3           | -6           | KLCI                       | 1,818    | 2.18%  | 5.62%  |
|                    |       |              |              | JCI                        | 6,354    | 0.63%  | 5.35%  |

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues (last updated on 5 Jan)**

| 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):** The rating action reflects Singapore Life's modest competitive positioning in Singapore's life insurance market, its good capitalisation and the risks it faces as a start-up. While S&P expects Singapore Life to offer attractive products that the market will value, they acknowledge the elevated risk associated with ensuring that Singapore Life can operate profitably. S&P has discontinued its 'AA-' long term local currency financial strength rating on AIA International Ltd Korea Branch as the Korea branch has transferred all its assets and liabilities as well as insurance business to AIA Life Insurance Ltd, which is wholly owned by AIA International Ltd.

## Credit Headlines:

**Lippo Malls Indonesia Retail Trust ("LMRT"):** We enquired LMRT if any action would be taken to retain the "Baa3" rating by Moody's. LMRT responded that they do not intend to make any change just to retain the "Baa3" rating as the review for downgrade is largely due to factors outside of management's control. According to LMRT, the exposure to the Lippo group will not substantially change in the coming years. Post acquisitions, LMRT finds that its gearing will only increase to 32.2% (implying significant debt headroom before the regulatory requirement of 45% is hit) while they are confident that refinancing risks will be managed due to strong support by various banks. LMRT also highlights that they typically refinance debt 3-6 months ahead of time. In our view, we think there is two-thirds chance for LMRT to be downgraded as 2 out of 3 criteria from Moody's review looks unlikely to be satisfied, namely 1) reduction in exposure to the Lippo group of companies and 2) reduction in adjusted asset leverage well below 40% (Moody's calculates this ratio at 39% by adjusting perpetuals as half equity, half debt). We think only the criteria on the refinancing of the 2018 debt maturities may be satisfied. While LMRT holds SGD74.9mn of cash, which if was used for debt repayment (e.g. redemption of SGD75mn LMRTSP '17s) could push asset leverage significant lower, LMRT is constantly looking for potential acquisitions. LMRT also sees debt headroom for future acquisitions. Meanwhile, we continue to hold LMRT at a Neutral Issuer Profile. (Company, OCBC)

**Fraser and Neave Ltd ("FNN"):** FNN announced that it acquired ~2.0mn shares of Vinamilk, increasing the total stake in Vinamilk to 19.2% (from 19.06%). While net gearing remains healthy at 5.4% as of 30 Sep, net gearing may increase if FNN continues to acquire stakes in Vinamilk. We continue to hold FNN at a Neutral Issuer Profile (Company, OCBC)

**Mapletree Logistics Trust ("MLT"):** MLT announced that it has entered into an agreement to acquire the remaining 38% in strata share value of Shatin No. 3 for HKD610.0mn (~SGD103.7mn). Post-acquisition (expected completion in January 2018), MLT's interest in the property would increase to 100%. On a 100% basis, the purchase price paid by MLT would represent HKD1.6bn (~SGD273mn). Shatin No. 3 is a warehouse and freight handling cargo complex located at No. 22, On Sum Street, Shatin, Hong Kong. The property first entered the MLT portfolio in 2006 and this transaction is in line with MLT's aim of further expanding into Hong Kong. As at 31 March 2017, the property was valued at HKD766.0mn (~SGD130mn) while the original purchase price was disclosed to be HKD325.9mn (~SGD61.0mn). MLT intends to finance the stake-acquisition via bank borrowings and internal funds. Including the HKD4.9bn (~SGD848mn) acquisition of Mapletree Logistics Hub Tsing Yi, Hong Kong (completed in October 2017) and assuming completion of the Shatin No. 3 acquisition, MLT's aggregate leverage ratio is expected to rise to ~39% per company. As at 30 September 2017, MLT's aggregate leverage was 33.7%. We are maintaining MLT's issuer profile at Neutral. (Company, OCBC)

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