

Mar 8, 2018

Credit Headlines: Pacific Radiance, Lippo Malls Indonesia Retail Trust

Market Commentary: The SGD swap curve saw shorter tenor swap rates trading 2-3bps higher. Flows in SGD corporates were heavy yesterday, with better selling seen in WINGTA 4.35%-PERPs. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 115bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 18bps to 312bps. 10Y UST yield traded little changed at 2.88% yesterday.

New issues: ARA Asset Management Ltd has priced a SGD300mn Perp NC5 bond at 5.65%, tightening from its initial guidance of 6% . CNAC (HK) Finbridge Company Ltd has priced a USD4.95bn deal across five-tranches, with the USD1bn 3-year FXD priced at CT3+182.5bps, tightening from its initial guidance of CT3+200bps area; the USD1.3bn 5-year FXD priced at CT5+202.5bps, tightening from its initial guidance of CT5+220bps area; the USD800mn 7-year FXD priced at CT7+220bps, tightening from its initial guidance of CT7+235bps area ; the USD1.75bn 10-year FXD priced at CT10+235bps, tightening from its initial guidance of CT10+250bps area and the USD100mn 30-year FXD priced at 5.5%, in line with its initial guidance of 5.5%. The expected issue ratings are 'BBB/NR/A-'. Hyundai Capital America has priced a USD800mn deal across two-tranches, with the USD550mn 3-year FXD priced at CT3+105bps, tightening from its initial guidance of CT3+120bps area and the USD250mn 3-year FRN priced at 3mL+82bps, in line with its initial guidance of 3mL+82bps area. Thai Oil Treasury Centre Company Ltd has scheduled for investor meetings from 8 Mar for its potential USD bond issuance (guaranteed by Thai Oil Public Company Ltd). Huasing International Holdings Co Ltd has scheduled for investor meetings from 8 Mar for its potential USD bond issuance (guaranteed by Qingdao China Prosperity State-owned Capital Operation (Group) Co Ltd). The expected issue ratings are 'BBB-/NR/BBB'. Indonesia has scheduled for investor meetings from 12-13 Mar for its potential USD bond issuance. Pakistan is said to mull its USD1bn Eurobond issuance. Philippines has hired banks for its panda bond issuance.

Table 1: Key Financial Indicators

	8-Mar	1W chg (bps)	1M chg (bps)		8-Mar	1W chg	1M chg	
iTraxx Asiax IG	70	3	1	Brent Crude Spot (\$/bbl)	64.34	-2.19%	-1.79%	
iTraxx SovX APAC	12	0	0	Gold Spot (\$/oz)	1,326.09	0.69%	0.56%	
iTraxx Japan	49	0	3	CRB	194.44	0.25%	1.39%	
iTraxx Australia	60	1	0	GSCI	441.54	-0.42%	0.79%	
CDX NA IG	57	1	3	VIX	17.76	-10.53%	-46.92%	
CDX NA HY	107	0	0	CT10 (bp)	2.879%	7.12	5.50	
iTraxx Eur Main	53	0	5	USD Swap Spread 10Y (bp)	2	1	0	
iTraxx Eur XO	263	-1	12	USD Swap Spread 30Y (bp)	-17	2	1	
iTraxx Eur Snr Fin	53	0	7	TED Spread (bp)	40	4	13	
iTraxx Sovx WE	19	0	1	US Libor-OIS Spread (bp)	41	0	14	
iTraxx Sovx CEEMEA	34	1	2	Euro Libor-OIS Spread (bp)	3	0	0	
					8-Mar	1W chg	1M chg	
					AUD/USD	0.783	0.95%	0.63%
					USD/CHF	0.944	-0.18%	-0.77%
					EUR/USD	1.241	1.16%	1.32%
					USD/SGD	1.314	0.65%	1.28%
Korea 5Y CDS	47	-3	-3	DJIA	24,801	-0.91%	3.94%	
China 5Y CDS	58	3	-1	SPX	2,727	0.48%	5.65%	
Malaysia 5Y CDS	64	2	2	MSCI Asiax	721	-1.06%	1.32%	
Philippines 5Y CDS	66	3	4	HSI	30,197	-2.10%	-0.84%	
Indonesia 5Y CDS	90	5	6	STI	3,451	-1.91%	1.02%	
Thailand 5Y CDS	41	1	-1	KLCI	1,838	-0.99%	-0.08%	
				JCI	6,368	-3.47%	-2.69%	

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
7-Mar-18	Hyundai Capital America	'NR/Baa1/NR'	USD250mn	3-year	3mL+82bps
7-Mar-18	Hyundai Capital America	'NR/Baa1/NR'	USD550mn	3-year	CT3+105bps
7-Mar-18	CNAC (HK) Finbridge Company Ltd	'BBB/NR/A-'	USD100mn	30-year	5.5%
7-Mar-18	CNAC (HK) Finbridge Company Ltd	'BBB/NR/A-'	USD1.75bn	10-year	CT10+235bps
7-Mar-18	CNAC (HK) Finbridge Company Ltd	'BBB/NR/A-'	USD800mn	7-year	CT7+220bps
7-Mar-18	CNAC (HK) Finbridge Company Ltd	'BBB/NR/A-'	USD1.3bn	5-year	CT5+202.5bps
7-Mar-18	CNAC (HK) Finbridge Company Ltd	'BBB/NR/A-'	USD1bn	3-year	CT3+182.5bps
7-Mar-18	ARA Asset Management Ltd	Not rated	SGD300mn	Perp NC5	5.65%
6-Mar-18	Housing & Development Board	'NR/Aaa/NR'	SGD600mn	5-year	2.303%
6-Mar-18	RCS Trust	'A-/NR/NR'	SGD275mn	7-year	3.2%

Source: OCBC, Bloomberg

Rating Changes: Moody's has affirmed Export-Import Bank of Thailand's (EXIM Thailand) long-term foreign currency issuer rating of 'Baa1' and upgraded the bank's baseline credit assessment to 'ba2' from 'ba3'. The rating outlook is stable. The rating action reflects EXIM Thailand's full government ownership and its important policy role in providing financial services to Thai exporters as well as Thailand's track record of support financial institutions. Moody's has affirmed Beijing Capital Land's (BCG) 'Baa3' corporate family rating. The outlook has been revised to stable from negative. The rating outlook reflects Moody's expectations of sustained improvement to credit metrics based on better gross profit margins, revenue growth and prudent debt management over the next 12-18 months. Moody's has revised its outlook on Beijing Capital Group Co Ltd's 'Baa3' issuer rating to stable from negative. The rating action reflect Moody's expectation that the company will deleverage over the next 12-18 months. Moody's has downgraded its rating for Lippo Malls Indonesia Retail Trust (LMIRT) to 'Ba1' from 'Baa3'. It has also withdrawn the 'Baa3' issuer rating and assigned it with a 'Ba1' corporate family rating. The outlook is negative. The rating action reflects a weakening of LMIRT's financial metrics and its significant exposure to the key entities within the Lippo group, whose credit quality are deteriorating. Fitch has published Qingdao China Prosperity State-owned Capital Operation (Group) Co Ltd's (QCPS) long-term foreign and local-currency issuer default ratings of 'BBB'. It has also assigned QCPS's proposed senior unsecured USD notes with an expected rating of 'BBB'. The outlook is stable. The rating action reflects QCPS's rating being credit-linked to Fitch's assessment of the creditworthiness of Qingdao Municipality in China. The link reflects stronger level of control and oversight by the Qingdao government, coupled with QCPS's strategic importance to its sponsor which results in a high likelihood of extraordinary support.

Credit Headlines:

Pacific Radiance ("PACRA"): Document from the bond trustee of the PACRA 4.3%'18 notes provided confirmation that PACRA had failed to make payment on the coupon payable on 01/03/18. As such, given that the 3-day grace period had lapsed, an Event of Default had occurred. This was consistent with the risks which we highlighted in our recent update (refer to [OCBC Asia Credit - Pacific Radiance Credit Update \(28 Feb 2018\)](#)). The same document had provided clarity on the amounts held in escrow in the Interest Service Reserve Account ("ISRA"). The trustee had stated that given the Event of Default, and in accordance with the Escrow Agreement and Series 1 Account Charge, the trustee would be providing instruction for the sums held in the ISRA to be released to make payment on the coupon payable. As mentioned in our update, given that PACRA has formally triggered an Event of Default, noteholders (either via written request by holders of no less than 25% notional of the bond, or via an EGM) may choose to demand immediate redemption on the PACRA 4.3%'18. Another consideration which we had mentioned would be that cross default clauses on PACRA's bank borrowings may potentially be triggered. As such, it is likely that further developments with regards to PACRA's restructuring will be announced in the near future. (OCBC)

Lippo Malls Indonesia Retail Trust ("LMRT"): Moody's downgraded LMRT from an issuer rating of "Baa3" to a corporate family rating of "Ba1" with a negative outlook, following the review of downgrade initiated on 21 Dec 2017. The downgrade is not unexpected, as we discussed previously (refer to [OCBC Asian Credit Daily – 08 Jan 2018](#)). LMRT's adjusted asset leverage ratio rose to 41% as at 31 Dec 2017 (Moody's threshold: 40%) and LMRT is unlikely to reduce its exposure to the Lippo group of companies (with deteriorating credit quality, according to Moody's). However, in our view, Moody's is likely to revise the outlook to stable as we continue to expect LMRT to address Moody's concerns on refinancing the 2018 maturities. We continue to hold LMRT at an Issuer Profile of Neutral (5) as the asset leverage remains manageable at 34%, backed by retail assets generating recurring income. In addition, we see financial flexibility with no encumbrance on LMRT's properties following the discharge of security under the SGD180mn secured term loan facility. Despite the negative headline news, we continue to like the LMRT curve, especially the perpetuals (LMRTSP 7% PERP and LMRTSP 6% PERP) as they offer the highest yield in the Singapore REIT sector and we see a high probability to call given the high coupon rate and healthy yield spread. (Company, OCBC)

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