

December 1, 2016

Credit Headlines (Page 2 onwards): Century Sunshine, Lippo Mall Indonesia Retail Trust.

Market Commentary: The SGD swap curve was range-bound yesterday with swap rates trading mostly +/- 1bps across all tenors except the 20y rates which traded 3bps lower. Flows in the SGD corporates were light with better buying in SOCGEN 4.3%26s. In the broader dollar space, the spread on JACI IG corporates fell 1bp to 199bps while the yield on JACI HY corporates decreased 4bps to 6.85%. 10y UST yields rose 8bps to 2.38% as broad developments, such as US economic signals and OPEC's moves which boosted oil prices, continue to reinforce the likelihood of higher interest rates.

New Issues: Guangzhou Industrial Investment Fund Management Co., which is a Guangzhou government linked investment company, priced a USD200mn 5Y bond at CT5+205bps, in line with IPT, with expected issue ratings of "BBB+/NR/A-". Agricultural Bank of China Hong Kong Branch has set final guidance for its 3Y USD bond at CT3+105bps, inside of IPT of CT3+130bps. Shinhan Bank priced USD500mn in Basel III-compliant 10NC5 Tier 2 subordinated notes at CT5+215bps, inside of IPT of CT5+245bps. The notes are expected to be rated "BBB+/Baa1/BBB+". Steel company Shougang Corporation priced a USD400mn 3Y bond at CT3+215bps, tighter than IPT of CT3+225bps, with expected issue ratings of "NR/NR/A-". Yunnan Energy Investment (HK) Co. has scheduled investor meetings in Singapore, Hong Kong and London during December 1-5 for a potential USD bond that is expected to be rated "NR/NR/BBB".

Rating Changes: Moody's confirmed its "Baa2" long term foreign currency issuer ratings on Mirae Asset Daewoo Co., Ltd with a stable outlook. The rating action concludes the review for downgrade initiated on 7 January 2016 due to expectation of a merger between Mirae Asset Daewoo Co., Ltd and Mirae Asset Securities (unrated).

Table 1: Key Financial Indicators

	1-Dec	1W chg (bps)	1M chg (bps)		1-Dec	1W chg	1M chg
iTraxx Asiax IG	124	-3	6	Brent Crude Spot (\$/bbl)	51.83	5.78%	7.67%
iTraxx SovX APAC	41	-2	6	Gold Spot (\$/oz)	1,168.39	-1.12%	-9.30%
iTraxx Japan	56	1	1	CRB	189.31	0.93%	1.88%
iTraxx Australia	109	-1	5	GSCI	377.22	1.68%	4.61%
CDX NA IG	73	-1	-7	VIX	13.33	7.41%	-28.18%
CDX NA HY	105	0	2	CT10 (bp)	2.383%	3.29	55.53
iTraxx Eur Main	80	-1	5	USD Swap Spread 10Y (bp)	-17	1	-2
iTraxx Eur XO	339	-1	3	USD Swap Spread 30Y (bp)	-54	4	0
iTraxx Eur Snr Fin	108	-1	8	TED Spread (bp)	45	1	-15
iTraxx Sovx WE	23	0	5	US Libor-OIS Spread (bp)	32	-2	-6
iTraxx Sovx CEEMEA	99	-1	8	Euro Libor-OIS Spread (bp)	3	-1	-1
					1-Dec	1W chg	1M chg
				AUD/USD	0.739	-0.22%	-3.40%
				USD/CHF	1.017	-0.10%	-4.12%
				EUR/USD	1.059	0.37%	-4.18%
				USD/SGD	1.433	-0.03%	-3.08%
Korea 5Y CDS	49	-2	6	DJIA	19,124	0.52%	6.02%
China 5Y CDS	117	-3	6	SPX	2,199	-0.19%	4.12%
Malaysia 5Y CDS	159	-10	33	MSCI Asiax	526	1.47%	-3.29%
Philippines 5Y CDS	119	-6	3	HSI	22,951	1.51%	-0.85%
Indonesia 5Y CDS	168	-7	12	STI	2,923	2.77%	3.87%
Thailand 5Y CDS	91	-1	-5	KLCI	1,625	0.03%	-2.76%
				JCI	5,197	1.74%	-4.05%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
30-Nov-16	Guangzhou Industrial Investment Fund Management Co.	"BBB+/NR/A-"	USD200mn	5-year	CT5+205bps
30-Nov-16	Shinhan Bank.	"BBB+/Baa1/BBB+"	USD500mn	10NC5	CT5+215bps
30-Nov-16	Shougang Corp.	"NR/NR/A-"	USD400mn	3-year	CT3+215bps
29-Nov-16	State Power Investment Corp.	"NR/A2/A"	USD900mn	5-year	CT5+130bps
29-Nov-16	State Power Investment Corp.	"NR/A2/A"	USD300mn	10-year	CT10+157.5bps
28-Nov-16	Loncin Holdings Co.	"NR/A1/NR"	CNH800mn	3-year	4.5%
25-Nov-16	Zhenjiang Cultural Tourism Industry	"NR/NR/NR"	USD230mn	3-year	5.3%
23-Nov-16	Changsha Pilot Investment Holdings	"BBB-/NR/BBB-"	USD350mn	3-year	CT3+220bps
23-Nov-16	Chalieco Hong Kong Corp.	"BB/NR/NR"	USD350mn	Perp-NC3	5.7%

Source: OCBC, Bloomberg

Credit Headlines:

Century Sunshine (“CSG”): CSG provided some voluntary 3Q2016 financial details. For 9M2016, the fertiliser segment saw volumes sold increase 4.0% y/y to 510,593 tonnes while the magnesium segment saw volumes surge 45.2% y/y to 26,536 tonnes. The former actually saw some slowdown, as 1H2016 fertiliser volumes were up 8.3%. The strong showing for the magnesium segment was largely driven by CSG commencing the basic magnesium products trading business during 1H2016 (which has strong volumes but poorer margins). The fertiliser business saw ASP fall 14.8% y/y to HKD2,060 per tonne. CSG had indicated some pressure on the ASP of compound fertilisers due to market fluctuation, as well as by the depreciation of the RMB (operating currency) against the HKD (reporting currency). The magnesium segment also saw a slump in ASP of 20.9% y/y to HKD25,213 per tonne. This was largely driven by the shift in product mix towards basic magnesium products. We estimate that combined fertiliser and magnesium revenue declined by ~3% y/y for 9M2016. In terms of margins, despite the fall in ASP, CSG was still able to improve the gross margins of the fertiliser segment by 100bps (compared to 9M2015) to 28.5%. This was a sharp improvement over the 90bps compression (to 27.6%) we saw for 1H2016. The magnesium segment saw margin compression though by about 390bps y/y to 30.4% for 9M2016, due to the shifts in product mix. In aggregate, CSG’s gross profit margin compressed by 110bps to 30.3% for 9M2016. Looking forward, the more material development remains the integration of Hongri Acron, the distressed fertiliser company which CSG is in the process of acquiring. As mentioned previously, there would likely be some margin deterioration due to shifts in product mix, as well as given the current stressed situation facing Hongri Acron. Coupled with expected working capital needs, we believe there would be a negative impact on CSG’s consolidated operating cash flows post the acquisition. That said, we believe that CSG has adequate liquidity to fund these cash needs given its huge cash balance, and that CSG currently has adequate balance sheet to absorb the Hongri Acron acquisition, with pro-forma net gearing staying low. The fresh 9M2016 details have not meaningfully changed our thesis, as such we reiterate our Neutral Issuer Profile rating on CSG.

Lippo Mall Indonesia Retail Trust (“LMRT”): LMRT held an EGM regarding the acquisition of Lippo Mall Kuta (“LMK”), a mall based in Bali. 70% of eligible unitholders have voted in support of the transaction. The total transaction cost is SGD95.2mn, of which SGD85.0mn is the cost of the asset, SGD8.1mn is the value-added tax, SGD1.3mn are professional / misc fees payable and SGD0.8mn are acquisition fees payable to the trust manager (payable in units). The SGD94.4mn cash component would be entirely debt funded, via the SGD350mn syndicated loan announced in August 2016. The borrowings are split in two, with a 4Y T/L A paying SOR + 2.95% and a 5Y T/L B paying SOR + 3.15%. We estimate that the acquisition would increase debt/asset from 0.33x to 0.35x for pro-forma end-3Q16. We will review our Neutral Issuer Profile on LMRT and provide updates if required. (Company, 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

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 and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W