

December 14, 2016

Credit Headlines (Page 2 onwards): Ascendas REIT

**Market Commentary:** The SGD swap curve was range-bound yesterday as swap rates traded mostly +/- 1bps across tenors with the exception of shorter tenor (1Y) that traded ~2bps higher. Flows in the SGD corporates were relatively muted. In the broader dollar space, the spread on JACI IG corporates was steady at 200bps while the yield on JACI HY corporates decreased 3bps to 6.91%. 10y UST yield was relatively unchanged at 2.47% as investors remain on the sidelines ahead of the FOMC's meeting held tomorrow.

**New Issues:** Shandong Ruyi Technology Group Co. Ltd. has priced a USD250mn 3-year bond at 8.2% with expected issue ratings of "B-/B3/NR". L.R. Capital Global Markets has priced a USD150mn 3-year bond at 5%, tightening from its initial guidance at 5.25%.

**Rating Changes:** S&P revised its rating outlooks on Bank of Communications Co. Ltd. (BOCOM) and its core subsidiary, Bank of Communications Financial Leasing Co. Ltd. (BOCOMFL) to stable from negative. At the same time, the issuer credit ratings were affirmed at "A-". The outlook revision reflects S&P's view that BOCOM's improved capitalization will strengthen the buffer against the negative economic risk trend in China and a potentially weaker capability of the government to provide extraordinary support. S&P assigned a "B+" issue ratings to Casmar (Australia) Pty. Ltd. ,funding vehicle for Baring Asia Private Equity Fund VI (Baring Asia), with stable outlook. The rating assignment follows the 100% acquisition of SAI Global which S&P believes that Casmar will benefit from the well-established leading market position of SAI Global across its suite of risk management & property services and grow its revenue by mid-single digit annually. S&P revised its outlook on Powerlong Real Estate Holding Ltd. to positive from stable. Its corporate credit rating was affirmed at "B". The revision reflects S&P's view that Powerlong will continue to reduce its leverage over the next two years and that the company is likely to improve its earnings stability with growing recurring rental income.

Table 1: Key Financial Indicators

	14-Dec	1W chg (bps)	1M chg (bps)		14-Dec	1W chg	1M chg
iTraxx Asiax IG	121	2	-15	Brent Crude Spot (\$/bbl)	55.72	3.32%	24.51%
iTraxx SovX APAC	36	-1	-10	Gold Spot (\$/oz)	1,159.45	-1.24%	-5.07%
iTraxx Japan	50	-4	-8	CRB	193.46	0.48%	5.52%
iTraxx Australia	102	-2	-13	GSCI	396.90	2.53%	13.01%
CDX NA IG	68	0	-10	VIX	12.72	7.89%	-13.70%
CDX NA HY	106	0	3	CT10 (bp)	2.466%	12.58	20.45
iTraxx Eur Main	71	-3	-8	USD Swap Spread 10Y (bp)	-14	1	-2
iTraxx Eur XO	295	-20	-54	USD Swap Spread 30Y (bp)	-54	0	1
iTraxx Eur Snr Fin	93	-6	-10	TED Spread (bp)	44	-4	0
iTraxx Sovx WE	20	-3	-2	US Libor-OIS Spread (bp)	31	-1	-6
iTraxx Sovx CEEMEA	89	-3	-18	Euro Libor-OIS Spread (bp)	3	0	0
					14-Dec	1W chg	1M chg
				AUD/USD	0.750	0.20%	-0.75%
				USD/CHF	1.012	-0.41%	-1.33%
				EUR/USD	1.064	-1.10%	-0.95%
				USD/SGD	1.424	-0.49%	-0.63%
Korea 5Y CDS	42	-2	-13	DJIA	19,911	3.43%	5.64%
China 5Y CDS	116	3	-9	SPX	2,272	2.69%	4.96%
Malaysia 5Y CDS	141	0	-27	MSCI Asiax	528	0.26%	1.17%
Philippines 5Y CDS	109	-1	-25	HSI	22,447	-1.01%	1.01%
Indonesia 5Y CDS	160	2	-37	STI	2,955	0.21%	6.03%
Thailand 5Y CDS	81	-4	-18	KLCI	1,645	1.25%	1.77%
				JCI	5,294	0.48%	3.48%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Dec-16	Shandong Ruyi Technology Group	"B-/B3/NR"	USD250mn	3-year	8.2%
13-Dec-16	L.R. Capital Global Markets	"NR/NR/NR"	USD150mn	3-year	5%
12-Dec-16	BOCOM Financial Leasing	"A2/NR/NR"	USD150mn	5-year	3.5%
12-Dec-16	BOCOM Financial Leasing	"A2/NR/NR"	USD150mn	7-year	4.5%
9-Dec-16	Danyang Investment	"NR/NR/NR"	USD220mn	3-year	5.85%
9-Dec-16	Fujian Zhanglong Group Co. Ltd.	"NR/NR/BB+"	USD150mn	3-year	4.8%
8-Dec-16	Changde Urban Construction & Inv.	"NR/NR/BBB-"	USD250mn	3-year	CT3+280bps
8-Dec-16	China Grand Automotive Services	"NR/NR/B+"	USD300mn	Perp-NC3	9%
8-Dec-16	Tewoo Group Finance No. 2 Ltd.	"NR/NR/BBB-"	USD300mn	3-year	CT3+360bps

Source: OCBC, Bloomberg

## Rating Changes (cont'd):

Moody's upgraded Sony Corporation's issuer and senior unsecured bond ratings to "Baa3" from "Ba1" and revised its outlook to stable from positive. The upgrade which has reverts Sony's rating to investment grade, reflects primarily that the company's financial profile has been dramatically repaired following the extensive decline of the past several years and subsequent restructuring by the company. Moody's downgraded Caterpillar, Inc.'s credit rating to "A3" from "A2" with stable outlook. The downgrade reflects Moody's view that Caterpillar has been challenged, and is expected to be challenged, with relatively low returns, particularly with respect to EBITDA margins and returns on assets throughout all phases of the business cycle. Moody's assigned "Ba1" corporate family rating with stable outlook to Lifestyle International Holdings Ltd. and has withdrawn the company's "Baa3" issuer rating. Also, Moody's downgraded the senior unsecured ratings on its notes to "Ba2" from "Baa3" with stable outlook. The downgrade reflects the deterioration in the company's credit profile as a result of its new development project in Kai Tak. Fitch affirmed Citigroup Inc.'s issuer default rating at "A" with stable outlook. Additionally, Fitch also affirmed Citibank N.A.'s issuer default rating at "A+" with stable outlook. Citigroup's issuer default rating is driven by its viability rating (VR), which was affirmed at "a". Fitch's affirmation of Citigroup's domestic operating subsidiaries' issuer default ratings at one notch above their VR reflects the expected implementation of total loss absorbing capacity requirements for US Global Systemically Important Banks and the presence of a substantial debt buffer in the holding company.

## Credit Headlines:

**Ascendas REIT ("AREIT"):** AREIT has announced that all the outstanding amounts on its Exchangeable Collateralised Securities ("ECS") shall be redeemed on 1 February 2017. As at 12 December 2016, the aggregate principal amount of ECS outstanding is SGD80mn. Given the intention of AREIT to early redeem the ECS, the last date of the exchange period shall be 17 January 2017. (Company)

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