

September 16, 2016

**Credit Headlines (Page 2 onwards):** Keppel Corp., Frasers Hospitality Trust, Henderson Land Development

**Market Commentary:** The SGD dollar swap curve traded upwards yesterday with swap rates trading 2-4bps higher across all tenors. Flows in the SGD corporates was heavy with better buying seen in SCISP 4.75%'49s and OHLSP 5.1%'17s while mixed interests were seen in ARTSP 4.68%'49s, GENSSP 5.13%'49s, UOBSP 4%'49s and FCLSP 5%'49s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 202bps while the yield on JACI HY corporates remained relatively unchanged at 6.51%. 10y UST yield also remained levelled at 1.69%.

**New Issues:** Transurban Group has priced a USD550mn 10-year bond at CT10+175bps. The expected ratings for the issue are "NR/Baa1/A-". Jiangsu Fang Yang has scheduled investor road shows from 19 September onwards for potential USD bond issuance with expected issue ratings of "NR/NR/BB".

**Rating Changes:** S&P has placed Shanghai International Port (Group) Co. Ltd.'s (SIPG) "AA-" corporate credit rating on CreditWatch with negative implications. The decision reflects the prospects of a rapid deterioration in SIPG's financial strength given the company's plan to subscribe to the IPO of Postal Savings Bank of China (PSBC) on the Hong Kong Stock Exchange. Similar rating action was taken yesterday by Moody's. S&P raised its corporate credit rating on Renhe Commercial Holdings Co. Ltd. to "B-" from "CCC-" with a stable outlook. The upgrade reflects S&P's view that Renhe's liquidity and default risks have largely reduced following the repayment of the company's outstanding borrowings and partial repayment of a bank loan that Renhe assumed during the acquisition of its agribusiness. Fitch assigned Jiangsu Fang Yang Group "BB" issuer default ratings with a stable outlook. Additionally, Fitch also assigned Jiangsu Fang Yang's proposed senior unsecured US dollar notes with an expected rating of "BB".

**Table 1: Key Financial Indicators**

	16-Sep	1W chg (bps)	1M chg (bps)		16-Sep	1W chg	1M chg
iTraxx Asiax IG	113	2	-2	Brent Crude Spot (\$/bbl)	46.31	-3.54%	-5.93%
iTraxx SovX APAC	38	0	-6	Gold Spot (\$/oz)	1,316.46	-0.86%	-2.21%
iTraxx Japan	54	-1	-1	CRB	180.68	-2.67%	-3.19%
iTraxx Australia	100	3	-3	GSCI	349.49	-3.45%	-3.76%
CDX NA IG	75	-1	4	VIX	16.3	30.30%	28.96%
CDX NA HY	104	0	-1	CT10 (bp)	1.691%	1.58	11.61
iTraxx Eur Main	70	2	5	USD Swap Spread 10Y (bp)	-17	-2	-3
iTraxx Eur XO	332	14	27	USD Swap Spread 30Y (bp)	-56	-2	-4
iTraxx Eur Snr Fin	92	3	7	TED Spread (bp)	53	3	-1
iTraxx Sovx WE	25	1	1	US Libor-OIS Spread (bp)	41	1	3
iTraxx Sovx CEEMEA	104	0	-9	Euro Libor-OIS Spread (bp)	3	-2	-3
					16-Sep	1W chg	1M chg
				AUD/USD	0.751	-0.44%	-2.43%
				USD/CHF	0.972	0.41%	-1.01%
				EUR/USD	1.124	0.09%	-0.32%
				USD/SGD	1.362	-0.27%	-1.64%
Korea 5Y CDS	41	-2	-4	DJIA	18,212	-1.45%	-1.83%
China 5Y CDS	100	1	-5	SPX	2,147	-1.56%	-1.42%
Malaysia 5Y CDS	122	2	-3	MSCI Asiax	543	-2.53%	-1.20%
Philippines 5Y CDS	97	6	7	HSI	23,336	-2.44%	1.85%
Indonesia 5Y CDS	144	2	1	STI	2,806	-3.07%	-1.86%
Thailand 5Y CDS	83	-3	-6	KLCI	1,653	-2.17%	-2.76%
				JCI	5,266	-2.15%	-1.97%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Sep-16	Transurban Group	"NR/Baa1/A-"	USD550mn	10-year	CT10+175bps
14-Sep-16	State Bank of India	"B+/B1/NR"	USD300mn	Perp-NC5	5.5%
14-Sep-16	Hon Hai Precision Industry Co. Ltd.	"A-/NR/NR"	USD600mn	5-year	CT5+110bps
14-Sep-16	Hon Hai Precision Industry Co. Ltd.	"A-/NR/NR"	USD400mn	10-year	CT10+140bps
13-Sep-16	Westpac Banking Corp.	"AA-/Aa2/NR"	AUD1bn	1-year	BBSW+43bps
13-Sep-16	Industrial Bank Co. Ltd. (Hong Kong)	"NR/Baa2/NR"	USD700mn	3-year	CT3+113bps
13-Sep-16	Industrial Bank Co. Ltd. (Hong Kong)	"NR/Baa2/NR"	USD300mn	5-year	CT5+125bps
12-Sep-16	Emperor International Holdings	"NR/NRNR"	USD200mn	5-year	4%

Source: OCBC, Bloomberg

## Credit Headlines:

**Keppel Corp (“KEP”):** KEP has announced that its 42.5%-owned associate company Sparkle Bright Holdings (the balance is held by Alpha Asia Macro Trends Fund II, a fund managed by KEP subsidiary Alpha Investment Partners), will be divesting its 80% stake in a Shanghai mixed-use development to Chongbang Group (the other 20% stakeholder). KEP will be receiving USD219.7mn in consideration for its share, and booking a divestment gain of ~SGD73mn. The transaction is expected to close by end-September, and hence would impact 3Q2016 results. Given that KEP made SGD219.2mn in net income for 2Q2016, the divestment gain would be sizable, and help offset likely soft O&M segment performance. (Company, OCBC)

**Frasers Hospitality Trust (“FHT”):** Following on from FHT’s acquisition announcement of its first property in Melbourne and associated rights issue, Moody’s has affirmed its “Baa2” rating on FHT with a stable outlook. Key supports for the rating affirmation include ongoing support from major shareholders Frasers Centrepoint Limited and TCC Group Investments Ltd as well as FHT’s prudent approach in implementing its growth strategy. FHT’s financial discipline appears important given credit metrics were previously somewhat weak for the rating. While the rights issue is expected to improve Moody’s adjusted credit metrics for FHT, the forecast ratios appear to recover only to levels expected for the current rating. As such, in Moody’s view there is a low likelihood that the rating can be upgraded in the medium term. (Moody’s, OCBC)

**Henderson Land Development (“HLEND”):** HLEND announced that it has entered into an agreement to sell Golden Centre located at Des Voeux Road Central for HKD4.4bn. The transaction has an estimated gain on disposal of HKD2bn. Completion of the disposal is expected to take place in December 2016. Golden Centre is a mixed commercial/office building with an attributable gross floor area of 156,292 sq ft (underlying land lease expiry in 2050). As at 30 June 2016, HLEND’s total investment properties was HKD131.5bn while gearing as measured by net debt-to-equity was 0.14x, we expect HLEND’s gearing to decrease to 0.12x. (Company, OCBC)

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