

August 19, 2016

**Credit Headlines (Page 2 onwards):** OUE Ltd., Otto Marine Ltd., Soilbuild Business Space REIT, Yanlord Land Group Ltd., Industry Outlook - Financial Institutions

**Market Commentary:** The SGD dollar swap curve traded downwards yesterday with swap rates trading 1-7bps lower across all tenors. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s and better selling seen in AREIT 4.75%'49s. Meanwhile we also saw mixed interests in GEMAU 5.5%'19s and STANLN 4.4%'26s. In the broader dollar space, the spread on JACI IG corporates remains relatively unchanged at 200bps while the yield on JACI HY corporates decreased 3bps to 6.4%. 10y UST decreased 1bps to 1.54%.

**New Issues:** Chinalco Capital Holding has priced a 5-year USD800mn bond at 4%, tightening from its initial guidance at 4.5%.

**Rating Changes:** S&P upgraded PT Cikarang Listrindo's credit rating to "BB" from "BB-" with a stable outlook. The upgrade reflects S&P's expectation that Cikarang Listrindo will maintain solid cash flow adequacy through 2018 as its cash flows stay steady and investments moderate. S&P upgraded Sharp Corp.'s credit rating to "B-" from "CCC+" following the share issuance to Hon Hai Precision Industry Co. Ltd. that significantly improves Sharp's capital base. The outlook is positive reflecting the view that Sharp is likely to recover its profitability and somewhat stabilize the earnings volatility of its LCD business. Moody's has placed Yanlord Land Group Ltd.'s "Ba3" corporate family rating on review for upgrade, prompted by stronger performance and credit profile when compared to the parameters for its "Ba3" ratings. Moody's has affirmed all ratings but revised the outlook on five Australian banks to negative from stable. The five affected banks are, (1) Australia and New Zealand Banking Group Ltd., (2) Westpac Banking Corp., (3) National Australia Bank Ltd (4) Commonwealth Bank of Australia Ltd. and (5) Members Equity Bank Ltd.. The revision reflects Moody's expectation of a more challenging operating environment for banks in Australia moving forward, which could lead to deterioration in their profile and growth and asset quality, as well as an increase in their sensitivity to external shocks. Moody's downgraded Tasmania Public Finance Corp.'s credit rating to "Aa2" from "Aa1" with stable outlook. The downgrade reflects Moody's expectation of deterioration in Tasmania's financial performance over the medium term, and also anticipation that Tasmania will record widening deficits due to a combination of slowing revenue growth and expectations that the Australia state's forecast of nearly flat levels of spending are unlikely to be realized.

**Table 1: Key Financial Indicators**

	19-Aug	1W chg (bps)	1M chg (bps)		19-Aug	1W chg	1M chg
iTraxx Asiax IG	113	-3	-8	Brent Crude Spot (\$/bbl)	50.72	7.98%	8.70%
iTraxx SovX APAC	43	-1	-5	Gold Spot (\$/oz)	1,347.31	0.85%	1.15%
iTraxx Japan	56	4	-1	CRB	189.34	4.04%	1.74%
iTraxx Australia	102	-1	-9	GSCI	370.77	6.02%	4.34%
CDX NA IG	70	-2	-2	VIX	11.43	-2.14%	-4.51%
CDX NA HY	105	0	0	CT10 (bp)	1.544%	3.05	-0.86
iTraxx Eur Main	67	0	-5	USD Swap Spread 10Y (bp)	-12	-1	1
iTraxx Eur XO	308	0	-22	USD Swap Spread 30Y (bp)	-51	-1	-7
iTraxx Eur Snr Fin	89	1	-10	TED Spread (bp)	52	-2	13
iTraxx Sovx WE	24	1	-2	US Libor-OIS Spread (bp)	39	-2	10
iTraxx Sovx CEEMEA	114	-2	-14	Euro Libor-OIS Spread (bp)	6	0	-1
					19-Aug	1W chg	1M chg
				AUD/USD	0.767	0.24%	2.21%
				USD/CHF	0.955	2.04%	3.22%
				EUR/USD	1.134	1.62%	2.92%
				USD/SGD	1.340	0.37%	0.99%
Korea 5Y CDS	43	-1	-6	DJIA	18,598	-0.08%	0.21%
China 5Y CDS	103	-2	-9	SPX	2,187	0.06%	1.07%
Malaysia 5Y CDS	119	-6	-11	MSCI Asiax	549	0.52%	4.79%
Philippines 5Y CDS	87	-3	-14	HSI	23,023	1.96%	6.23%
Indonesia 5Y CDS	139	-5	-25	STI	2,837	-1.14%	-2.83%
Thailand 5Y CDS	87	-3	-10	KLCI	1,695	0.96%	1.46%
				JCI	5,461	0.69%	5.58%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
19-Aug-16	Chinalco Capital Holdings	"NR/NR/NR"	USD800mn	5-year	4%
16-Aug-16	Mapletree Commercial Trust	"NR/Baa1/NR"	SGD175mn	10-year	3.11%
16-Aug-16	China Aircraft Leasing Group Holdings Ltd.	"NR/NR/NR"	USD300mn	5-year	4.9%
11-Aug-16	China Construction Bank Corp ( Singapore)	"NR/NR/NR"	CNH1bn	2-year	3.25%
11-Aug-16	HNA Group (International) Co.	"NR/NR/NR"	USD300mn	3-year	6.0%
11-Aug-16	Standard Chartered Plc	"BB-/Ba1/BBB-"	USD2bn	Perp-NC6.5	7.5%
11-Aug-16	Westpac Banking Corp.	"NR/Aa2/NR"	USD1.5bn	3-year	1.6%
11-Aug-16	Westpac Banking Corp.	"NR/Aa2/NR"	USD500mn	3-year	3mL+56bps

Source: OCBC, Bloomberg

**Rating Changes (cont'd):** Moody's has revised the outlook on all rated entities within the Rio Tinto Group to stable from negative and affirmed the "Baa1" senior unsecured ratings to reflect that the company's ongoing cost focus, reduced investments and reduced dividend payouts will improve Rio Tinto's metrics despite the expectation that commodity prices will remain lower for longer.

## Credit Headlines:

**OUE Limited ("OUE"):** OUE has announced that it has successfully tendered for two land parcels (totally ~33,500sqft) located at 28 Nassim Road for SGD56.6mn. The freehold plots are zoned for Good Class Bungalows. The completion of the acquisition is expected to happen in October. The plot was sold by the British government, and lies adjacent to the official residence of the British High Commissioner. OUE intends to fund the acquisition out of internal resources. We note that OUE will be receiving ~SGD205mn in proceeds during the current quarter from the divestment of the Crowne Plaza Changi extension into OUE-HT, and hence would have the liquidity on hand to make the acquisition. (Company, OCBC)

**Otto Marine Limited ("OTML"):** In recent times, OTML has been going after several trade debtors with regards to sums owed. The most recent situation was OTML filing to wind-up Hoe Leong Corporation over a sum of USD920,000 owed to OTML. OTML's subsidiaries are also in arbitration over sums owned by Grupo Evya (USD10.5mn) and Vettal Mega Services (USD6mn). OTML last reported USD324.9mn in trade receivables (end-1Q2016). (Company, OCBC)

**Soilbuild Business Space REIT ("SBREIT"):** SBREIT announced that the proposed acquisition and entry into the Master Lease agreement of Bukit Batok Connection was approved yesterday at its Extraordinary General Meeting ("EGM"). Separately SBREIT announced the launch of a pro-rata and non-renounceable preferential offering to raise net proceeds of up to approximately S\$59.2 million to partially fund the acquisition. Lim Chap Huat, who wholly owns sponsor Soilbuild Group has provided an undertaking to subscribe to his pro-rata share of the offering as well as any excess unsubscribed units as long as Mr Lim's ultimate ownership in SBREIT is no more than 29.3% of total issued units following the offering. Assuming the offering is successful, the potential 40:60 debt-to-equity structure is in line with our expectations and SBREIT's historical funding structure and leverage threshold. We expect aggregate leverage should remain around current levels (35.9% as at 30 June 2016) post the acquisition and maintain our Neutral issuer profile on the back of the REIT's defensive credit profile. (Company, OCBC)

**Yanlord Land Group Ltd ("Yanlord"):** The placing of Moody's rating on Yanlord on review for upgrade considers Yanlord's increased geographic diversity of its projects which mitigates potential regulatory risk stemming from government property cooling measures. Moody's will resolve the placement by considering Yanlord's business and land acquisition strategies, plans to lower the negative impact from potential regulatory measures, and the company's financial policies. We recently lowered the issuer profile to neutral as we expect that property cooling measures will continue in tier-1 and tier-2 cities and could slow the improvement in Yanlord's financials. We currently rate the issuer and YLLGSP 6.2%'17s at Neutral. (Company, OCBC)

**Industry Outlook - Financial Institutions:** Moody's outlook revision for Australia's banks to negative from stable is similar to that done by Moody's for Singapore banks in late March and reflects more Australia's macro environment (which could present challenges to Australian banks) rather than underlying fundamental credit concerns (their ratings, baseline credit assessments (BCAs), adjusted BCAs, and counterparty risk assessments were affirmed). The macro environment in Australia has a strong influence on banks' prospective asset quality and profitability given Australia contributes anywhere from ~65%-85% of income for Australia big banks. It is worth noting that a rating outlook represents a one in three chance of a rating change, so a rating action is not set in stone. This is particularly the case in this instance where the outlook change is based on an expectation of potential credit deterioration rather than the actual event. Separately and following the commencement of formal civil proceedings by the Australian Securities and Investment Commission ('ASIC') against National Australia Bank Ltd (NAB), Westpac Banking Corp. (WBC) and Australia and New Zealand Banking Group Ltd (ANZ) earlier this year in relation to allegedly manipulation of the bank-bill swap rate (Australia's equivalent of LIBOR), a class action has been filed by U.S. funds in the U.S. District Court suing 17 banks including NAB, WBC and ANZ for the same reason. While there is no news of potential liabilities stemming from this, all banks have stated their intent to defend themselves against the both the class action and ASIC claim. (OCBC, Bloomberg, Moody's)

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Ezien Hoo, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@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