

September 28, 2016

Credit Headlines (Page 2 onwards): Australia and New Zealand Banking Group Ltd., Soilbuild Business REIT, Industry Outlook – China Property

Market Commentary: The SGD dollar swap curve traded upwards yesterday with swap rates traded 1-2bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in UOBSP 4%'49s and FCLSP 4.88%'49s. Mixed interests were seen in ABNANV 4.75%'26s, SCISP 4.75%'49s, OLAMSP 6%'22s and GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 204bps while the yield on JACI HY corporates decreased 1bps to 6.41%. 10y UST yield decreased 3bps to 1.56% following the US presidential debate that points towards a Clinton victory.

New Issues: China Construction Bank HK has priced a USD600mn 3-year bond at CT3+92.5bps, tightening from its initial guidance at CT3+110bps. The expected ratings for the issue are "NR/A1/NR". Jinan West City has priced a USD300mn 5-year bond at CT5+220bps, tightening from its initial guidance at CT5+245bps. The expected ratings for the issue are "BBB-/NR/NR". Fantasia Holdings Group Co. Ltd. has priced a USD400mn 5NC3 bond at 7.375% with expected issue ratings of "B/B3/NR". Bumi Serpong has mandated banks for 7-year USD bond issuance with expected issue ratings of "NR/Ba3/BB-". New World Development may price a USD Perpetual, non-callable for 5-years bond today.

Rating Changes: S&P affirmed its corporate credit rating on Weichai Power Co. Ltd. at "BBB" with a negative outlook, with the rating removed from CreditWatch. The rating affirmation was in view of S&P's expectation that Weichai's leverage will gradually improve 12 months after it completes the acquisition of DH Services Luxembourg Holding s.a.r.l (Dematic). The negative outlook reflects S&P's view that Weichai will face some execution and market risks in its plan to deleverage. S&P downgraded Hua Han Health Industry Holdings Ltd. to "B+" from "BB-". The rating continues to be placed on CreditWatch with negative implications. The downgrade was in view that the company's risk management has weakened and higher risk in its internal controls.

Table 1: Key Financial Indicators

	28-Sep	1W chg (bps)	1M chg (bps)		28-Sep	1W chg	1M chg
iTraxx Asiax IG	120	0	7	Brent Crude Spot (\$/bbl)	45.97	0.20%	-7.91%
iTraxx SovX APAC	32	1	-9	Gold Spot (\$/oz)	1,326.43	-0.65%	0.23%
iTraxx Japan	59	-1	6	CRB	183.11	0.07%	-1.61%
iTraxx Australia	104	-4	4	GSCI	350.39	0.06%	-3.49%
CDX NA IG	77	-1	6	VIX	13.1	-17.71%	-4.03%
CDX NA HY	104	-1	-1	CT10 (bp)	1.560%	-9.12	-6.97
iTraxx Eur Main	74	1	6	USD Swap Spread 10Y (bp)	-15	0	-1
iTraxx Eur XO	337	-5	30	USD Swap Spread 30Y (bp)	-55	-1	0
iTraxx Eur Snr Fin	102	2	13	TED Spread (bp)	62	4	10
iTraxx Sovx WE	25	1	0	US Libor-OIS Spread (bp)	43	-1	6
iTraxx Sovx CEEMEA	88	5	-20	Euro Libor-OIS Spread (bp)	4	-1	-1
					28-Sep	1W chg	1M chg
				AUD/USD	0.767	0.55%	1.28%
				USD/CHF	0.971	0.28%	0.73%
				EUR/USD	1.121	0.19%	0.19%
				USD/SGD	1.360	-0.48%	0.04%
Korea 5Y CDS	42	1	-2	DJIA	18,228	0.54%	-0.91%
China 5Y CDS	108	3	7	SPX	2,160	0.94%	-0.42%
Malaysia 5Y CDS	126	0	4	MSCI Asiax	557	0.53%	2.33%
Philippines 5Y CDS	116	10	30	HSI	23,572	0.17%	2.89%
Indonesia 5Y CDS	155	8	10	STI	2,860	0.19%	0.09%
Thailand 5Y CDS	86	-1	3	KLCI	1,665	0.54%	-1.09%
				JCI	5,420	2.21%	-0.35%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
28-Sep-16	China Construction Bank HK	"NR/A1/NR"	USD600mn	3-year	CT3+92.5bps
28-Sep-16	Jinan West City	"BBB-/NR/NR"	USD300mn	5-year	CT5+220bps
28-Sep-16	Fantasia Holdings Group Co. Ltd.	"B/B3/NR"	USD400mn	5NC3	7.375%
26-Sep-16	Bluestar Finance Holdings Ltd.	"NR/NR/NR"	USD500mn	3-year	3.125%
26-Sep-16	Bluestar Finance Holdings Ltd.	"NR/NR/NR"	USD600mn	5-year	3.5%
26-Sep-16	Shui On Land	"NR/NR/NR"	USD250mn	3-year	4.5%
26-Sep-16	Singapore Telecommunication Ltd.	"A+/Aa3/NR"	USD500mn	10-year	2.375%
26-Sep-16	ICBC Leasing	"NR/A2/A"	USD700mn	3-year	CT3+137.5bps

Source: OCBC, Bloomberg

Rating Changes (cont'd): S&P has revised its outlook on Agricultural Bank of China Ltd.'s (ABC) "A" issuer credit ratings to stable from negative. The outlook revision reflects S&P's view that ABC's stand-alone credit profile has improved and provides the bank more buffer to mitigate the negative economic risk trend in China and a potentially weaker capability of the government to provide extraordinary support. S&P withdrew its issuer credit ratings on Chemstralia Pty. Ltd.. The rating prior to withdrawal was "B+".

Credit Headlines:

Australia and New Zealand Banking Group Ltd. ("ANZ"): ANZ's restructuring initiatives continue as the bank tries to streamline its overseas businesses and refocus on its core Australia and New Zealand segments to improve returns. Recent reports suggest traction in the sale of its minority stake in Shanghai Rural Commercial bank (valued at AUD1.98bn) and sale of E-Trade, ANZ's share trading platform. The cash price of the ANZ 3.75%'27c22 has weakened recently and remains below that of its peers (NAB 4.15%'28c23 and WSTP 4%'27c22). We think this could present a buying opportunity given ANZ's relative credit profile against peers is not too divergent and new management appears to be delivering on their announced restructuring plans. (OCBC, Bloomberg)

Soilbuild Business Space REIT ("SBREIT"): SBREIT has completed the ~SGD100mn acquisition of Bukit Batok Connection property and has entered into a master lease agreement with the vendor (fully owned subsidiary of the Sponsor). The term of the master lease agreement is for 7 years on a double net lease basis. (Company)

Industry Outlook – China Property: Coming on the heels of property cooling measures announced by Zhengzhou and Hangzhou in mid-September, Hangzhou announced further new measures yesterday (3rd announcement in a span of 10 days). This has coincided with measures announced by Nanjing. The most recent spate of policy measures are (i) targeted at curbing demand from non-local investors; (ii) attempts to control land supply-demand equation and taper land price surge in these cities; (iii) decrease attractiveness of new projects; and (iv) hamper working capital of developers via build approval process. These dynamic and targeted approaches taken are a signal that the local governments are concerned over the spillover effects from Tier 1 cities. Both Hangzhou and Nanjing are within ~300km from Shanghai and have seen year-on-year house prices rise 14.3% and 32.7% respectively. Other potential moves could target property developers' financing, though as yet no firm policies have been issued. (OCBC, local government announcements)

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