Asian Credit Daily

July 5, 2016

Market Commentary: The SGD swap curve traded upward yesterday, with the swap rates traded 1-4bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in STANLN 4.4%'26s and GENSSP 5.13%'49s while mixed interests were seen in NAB 4.15'28s and OCBCSP 3.8%'49s. In the broader dollar space, the US market was closed for the 4th of July public holiday. Last Friday, the JACI IG corporates' spread closed at 230bps while the yield on JACI HY corporates closed at 6.66%. 10y UST yield closed at 1.44%.

New Issues: Bank of China Ltd has scheduled investor meetings today for a potential USD/EUR/CNH green bond issuance with expected credit ratings of "NR/A1/A". Chongqing Nan'an Urban Construction & Development Co. Ltd. has scheduled investor meetings from 5 July onwards for a potential USD bond issuance. The expected credit ratings for the issue are "BBB+/NR/BBB+".

Rating Changes: S&P upgraded Mitsui Fudosan Co. Ltd.'s credit rating to "A" from "A-" with stable outlook. The upgrade reflects Mitsui Fudosan's improved leasing property portfolio in recent years in terms of quality, value, and diversification, reconstruction of existing properties in central Tokyo, and enhancement of various property types including retail properties. S&P believes that the company is able to offset risk in its development business through enhanced asset quality and its strong capabilities to manage projects and acquire tenants. Moody's affirmed West China Cement Limited's (WCC) "Ba3" credit rating with a negative outlook. This concludes the ratings review initiated on 1 December, 2015. The rating confirmation reflects WCC's financial performance and Moody's expectation that its operation and access to funding have been strengthened by its association with Anhui Conch Cement Company Limited (Conch, "A3"/Stable). Moody's expects WCC to generate positive free cash flow in 2016, which will help reduce debt, given its reduced capital spending.

Table 1: Key Financial Indicators

	5-Jul	1W chg (bps)	1M chg (bps)		5-Jul	1W chg	1M chg
iTraxx Asiax IG	137	-10	-2	Brent Crude Spot ($/bbl)	49.93	2.78%	0.58%
iTraxx SovX APAC	53	-1	1	Gold Spot ($/oz)	1,351.96	3.06%	8.56%
iTraxx Japan	66	-8	-1	CRB	194.26	2.95%	2.96%
iTraxx Australia	122	-12	-4	GSCI	376.44	1.95%	0.65%
CDX NA IG	77	-8	2	VIX	14.77	-42.66%	9.65%
CDX NA HY	103	2	0	CT10 (bp)	1.426%	-4.08	-27.48
iTraxx Eur Main	80	-14	7	USD Swap Spread 10Y (bp)	-9	3	3
iTraxx Eur XO	347	-46	28	USD Swap Spread 30Y (bp)	-43	4	4
iTraxx Eur Snr Fin	111	-19	15	TED Spread (bp)	40	2	0
iTraxx Sovx WE	31	-5	5	US Libor-OIS Spread (bp)	27	1	0
iTraxx Sovx CEEMEA	125	-9	-6	Euro Libor-OIS Spread (bp)	7	-1	-1
					5-Jul	1W chg	1M chg
				AUD/USD	0.752	1.79%	2.06%
				USD/CHF	0.971	1.10%	-0.06%
				EUR/USD	1.114	0.64%	-1.93%
				USD/SGD	1.347	0.48%	0.65%
Korea 5Y CDS	54	-7	-7	DJIA	17,949	3.15%	0.80%
China 5Y CDS	119	-8	-3	SPX	2,103	3.22%	0.18%
Malaysia 5Y CDS	150	-12	-7	MSCI Asiax	510	4.38%	2.65%
Philippines 5Y CDS	109	-9	1	HSI	21,059	3.95%	0.53%
Indonesia 5Y CDS	179	-12	-8	STI	2,871	5.15%	2.18%
Thailand 5Y CDS	110	-7	-10	KLCI	1,655	1.55%	1.12%
				JCI	4,972	2.83%	2.42%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
30-June-16	First REIT	NR/NR/NR	SGD60mn	Perp.	5.68%
30-June-16	Fullerton Healthcare Corp.	AA/NR/NR	USD50mn	5NC3	2.45%
30-June-16	Fullerton Healthcare Corp.	AA/NR/NR	SGD50mn	7NC3	2.75%
28-June-16	CITIC Envirotech Ltd.	NR/NR/NR	USD180mn	Perp.	4.25%
24-June-16	Housing & Development Board	NR/Aaa/NR	SGD700mn	15-year	2.55%
23-June-16	CapitaLand Commercial Trust	A-/NR/NR	SGD75mn	6-year	2.77%
23-June-16	Hanrui Overseas Investment Co.	NR/NR/BB+	USD300mn	3-year	5.25%
22-June-16	Astrea III Pte. Ltd	A/NR/A	SGD228mn	3-year	3.9%

Source: OCBC, Bloomberg

Credit Headlines:

CK Hutchison Holdings ("CKHH"): CKHH and VimpelCom Limited is reportedly trying to sell certain frequencies and tower assets to help secure anti-trust approval for a joint venture between Hutchison's 3 Italia business with the latter's WIND Mobile. Iliad Spa is said to be in exclusive talks as a buyer of those assets. In March 2016, the European Commission (the EU's antitrust authority) opened an investigation into the ~USD24bn deal and is expected to make a decision by August 2016. Earlier in May 2016, in a separate transaction, the European Commission blocked Hutchison's acquisition of O2 in the UK which would have seen 3 become the largest player in the UK market. A JV holding company(Hutchison 3G Italy Investments S.à.r.l) will own 3 Italia and WIND, with each of CKHH and VimpelCom indirectly holding the JV company on a 50:50 basis. Post-transaction, there will be no additional obligations by either parent to contribute additional funds to the JV (effectively, a deconsolidation of 3 Italia from CKHH). In August 2015 when the JV was first announced, Moody's issued a statement stating that CKHH's A3 issuer rating and its stable outlook will not be impacted by the deal, although the transaction may result in CKHH facing a degree of contingent liability given the JV's weaker credit profile. (Bloomberg, Company)

Mapletree Commercial Trust ("MCT"): MCT has announced its intention to acquire Mapletree Business City Phase 1 ("MBC1") from its sponsor, Mapletree Investments Pte Limited. MBC1 will be purchased for SGD1780mn (or SGD1858.5mn after fees), or roughly SGD1,042 psf of NLA. NLA totals 1.71mn sqft (25% office, 75% business park), and is situated in the Alexandra / HarbourFront Micro-Market (alongside the bulk of MCT's existing assets). MBC1 was completed in 2010, and has an outstanding lease till 2096 (which is longer than usual for business parks) Occupancy is strong at 97.8% (MCT portfolio: 96.6%), while WALE (by gross rental income) is fair at 3.5 years (MCT portfolio: 2.2 years). About 29% of leases are expiring over FY2017 and FY2018 (business parks, with office only expiring from FY2019 onwards). The expected NPI yield is 5.6%. Average passing rent was indicated to be SGD5.96 psf. The transaction will be financed with a mix of equity (SGD989.6mn target) and borrowings (SGD860mn target, with SGD920mn loan facilities granted). MCT expects that the acquisition, based on the current funding mix, would increase aggregate leverage from 35.1% (end-March 2016) to 38.4%. The sponsor currently has a 38.4% deemed interest in MCT. As the transaction is an Interest Person Transaction, an EGM will be called (25/07/16), with non-sponsor related shareholders voting on the transaction. In general, though the transaction would result in a deterioration of MCT's credit profile, MBC1 had been one of the assets highlighted in the sponsor pipeline and hence was a risk that we were aware of. Though higher, aggregate leverage would still be in the 35% - 40% range and comparable with its commercial and retail REIT peers. There was also be buffer from the 45% aggregate leverage cap. The acquisition would also help MCT diversify its cash flow from its current concentration in Vivocity (NPI contribution to fall from 66% to 45%) and reduce the retail exposure from 63% to 44% by valuation. In addition, portfolio WALE will also improve given the longer leases for office and "office-like" tenants in MBC1. As such, we are comfortable holding our Issuer Profile at Neutral. It should be noted that MCT's existing credit rating of Baa1 / Stable might face some pressure should the transaction go through, as peers such as Suntec REIT with an aggregate leverage of 36.0% are rated one notch lower at Baa2 / Stable. (Company, OCBC)

Offshore Marine Sector: PT Logindo (associate company of Pacific Radiance) has initiated a consent solicitation to seek covenant relief over its interest coverage covenant. PT Logindo is seeking to waive the covenant through end-2018 as well as to reduce the interest coverage level after that. It is worth noting that PT Logindo's SGD50mn bonds maturing in 2020 are backed by a standby letter of credit from UOB and hence bear UOB credit risk. The bonds are rated AA- by S&P. OCBC Credit Research does not currently cover PT Logindo. (Company, OCBC)

AusGroup Limited ("AUSG", associate company of Ezion): AUSG has conducted an informal bondholder meeting with investors in its SGD110mn in bonds maturing October 2016. AUSG presented a proposal with restructuring options, this include the company seeking to extend the maturity of the bonds for up to two years as well as to request for waivers to covenant breaches. The proposal is for 50bps step-up in coupon during each year of extension with a plan is to sell its Port Melville asset (current valuation of AUD116.9mn) over the next two years (or sooner). The port asset will be securitized to the notes, with the proceeds assigned to the notes. It should be noted that these terms are tentative and that more details are likely to follow. OCBC Credit Research does not currently cover AUSG. (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
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com