

Jun 1, 2017

Credit Headlines (Page 2 onwards): CapitaLand Ltd

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading around 1bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in UOBSP 3.5%'29s, STANLN 4.4%'26s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 196bps, while the yield on JACI HY corporates changed little at 6.83%. 10y UST yields fell 1bps yesterday to 2.20%, as yields remain near session lows, with month-end buying demand continuing to weigh.

New Issues: Asian Development Bank priced a USD1.75bn 4-year bond at MS+7bps (CT4+38bps). The expected issue ratings are 'AAA/Aaa/AAA'. The Republic of Maldives priced a USD200mn 5-year bond at 7%. The expected issue ratings are 'NR/B2/B+'. ESR Cayman Ltd. priced a USD100mn Perp NC3 at 8.25%. Singapore Labour Foundation priced a SGD30mn 5-year bond at 1.81% yesterday. DBS Group scheduled investor calls on 31 May for potential 3-year USD bond issuance. The expected issue ratings are 'NR/Aa2/AA-'. Eximbank China hired banks for potential USD and EUR 3-year bond issuance. The expected issue ratings are 'AA-/A1/NR'. Tunghsu Venus Holdings Ltd. scheduled investor roadshows from 1 Jun for potential USD bond issuance (guaranteed by Tunghsu Group Co.). The expected issue ratings are 'B/NR/B+'.

Rating Changes: S&P affirmed China-based property developer Hopson Development Holdings Ltd's (Hopson) long-term corporate rating at 'B-'. In addition, S&P revised its outlook on the company to stable from negative. The rating action reflects S&P's expectation for the company's liquidity position and leverage to stabilize in 2017 and 2018 owing to an improving debt maturity profile, good control over its amount of debt, sound delivery and recognition of development projects, as well as a recovery in margins.

Table 1: Key Financial Indicators

	1-Jun	1W chg (bps)	1M chg (bps)		1-Jun	1W chg	1M chg
iTraxx Asiax IG	91	1	-3	Brent Crude Spot (\$/bbl)	51.19	-0.52%	-0.64%
iTraxx SovX APAC	20	0	-3	Gold Spot (\$/oz)	1,269.30	1.09%	1.01%
iTraxx Japan	42	0	-1	CRB	179.77	-2.85%	-1.00%
iTraxx Australia	86	2	5	GSCI	377.85	-3.86%	-0.99%
CDX NA IG	62	0	-1	VIX	10.41	-2.89%	2.97%
CDX NA HY	107	0	0	CT10 (bp)	2.212%	-4.39	-10.65
iTraxx Eur Main	62	1	-4	USD Swap Spread 10Y (bp)	-6	0	-2
iTraxx Eur XO	253	5	-13	USD Swap Spread 30Y (bp)	-44	0	1
iTraxx Eur Snr Fin	70	3	-4	TED Spread (bp)	24	-5	-14
iTraxx Sovx WE	8	0	-1	US Libor-OIS Spread (bp)	10	-2	-8
iTraxx Sovx CEEMEA	45	1	-1	Euro Libor-OIS Spread (bp)	3	0	2
					1-Jun	1W chg	1M chg
				AUD/USD	0.742	-0.42%	-1.37%
				USD/CHF	0.968	0.49%	2.92%
				EUR/USD	1.125	0.33%	3.19%
				USD/SGD	1.384	0.16%	0.90%
Korea 5Y CDS	56	1	-2	DJIA	21,009	0.34%	0.46%
China 5Y CDS	77	-1	-4	SPX	2,412	0.56%	0.98%
Malaysia 5Y CDS	100	-1	-8	MSCI Asiax	618	-0.25%	4.01%
Philippines 5Y CDS	81	1	2	HSI	25,723	1.16%	4.50%
Indonesia 5Y CDS	124	0	-1	STI	3,223	-0.34%	1.51%
Thailand 5Y CDS	58	0	0	KLCI	1,762	-0.67%	-0.34%
				JCI	5,738	0.13%	0.93%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
31-May-17	Asian Development Bank	"AAA/Aaa/AAA"	USD1.75bn	4-year	MS+7bps
31-May-17	The Republic of Maldives	"NR/B2/B+"	USD200mn	5-year	7%
31-May-17	ESR Cayman Ltd.	Not Rated	USD100mn	Perp NC3	8.25%
31-May-17	Singapore Labour Foundation	Not Rated	SGD30mn	5-year	1.81%
30-May-17	FCL Treasury Pte Ltd (re-tap)	"BBB+/NR/NR"	SGD50mn	FCL 4.15%'27s	100.50
29-May-17	Fraser Centrepoint Trust	"BBB+/NR/NR"	SGD30mn	5-year	2.645%
26-May-17	RCS Trust	"A-/NR/NR"	SGD300mn	6-year	2.6%
25-May-17	Century Sunshine Group Holdings Ltd	Not Rated	SGD100mn	3NC2	7%
25-May-17	Tuan Sing Holdings Ltd	Not Rated	SGD120mn	3-year	6%

Source: OCBC, Bloomberg

Rating Changes (cont'd): S&P assigned China-based technology conglomerate Tunghsu Group Co. Ltd. (Tunghsu) a 'B+' long-term corporate credit rating. S&P also assigned a 'B' long-term issue rating to the proposed U.S. dollar-denominated senior unsecured notes issued by the Group's special purpose vehicle. The rating outlook is stable. The rating action reflects S&P's view of Tunghsu's solid position in the glass substrate business and execution risk while the company expands into new markets such as solar energy and electric buses. Fitch also assigned Tunghsu an Issuer Default Rating and senior unsecured rating of 'B+', with a stable outlook. S&P affirmed the 'BB' long-term corporate credit rating on Fosun International Ltd (Fosun) and all outstanding senior notes that Fosun guarantees. In addition, S&P revised the rating outlooks to stable from negative. The rating action reflects the company's leverage, which improved materially, as well as to reflect S&P's view of Fosun as an investment holding company with a fair business risk profile, significant financial risk profile, and an adequate liquidity position. Moody's downgraded UniCredit Bank AG's (UCB) senior unsecured debt and issuer ratings to 'Baa2' from 'Baa1', and affirmed the bank's Baseline Credit Assessment (BCA) at 'Baa2'. In addition, UCB's and its subsidiaries' subordinated debt and hybrid debt ratings were also affirmed in the ratings action. The rating action reflects a combination of (1) a lower result from Moody's Loss Given Failure (LGF) analysis which assesses the amount of loss in resolution for different liabilities; (2) the stable outlook on the long-term ratings of its Italian parent bank UniCredit S.p.A. ; and (3) Moody's view that UCB fundamentals remained unchanged and that UCB will show a stable performance of key solvency and funding metrics during 2017-18. Fitch has placed Baidu Inc.'s (Baidu) 'A' Foreign and Local-Currency Issuer Default Ratings (IDRs) and 'A' foreign-currency senior unsecured rating on Rating Watch Negative (RWN). The rating action reflects Fitch's belief that the rapid growth in Baidu's financial services activities under its wholly owned Financial Services Group (FSG) has increased Baidu's overall business risk.

Credit Headlines:

CapitaLand Ltd ("CAPL"): CAPL, via wholly-owned business unit CapitaLand China has entered into agreements with unrelated parties to acquire Guozheng Centre, a newly completed office development in Yangpu District, Shanghai, China for RMB2.1bn (~SGD425mn). The acquisition is expected to be completed in June 2017 and the consideration will be subject to post-completion adjustments. At the same time, CAPL's wholly-owned subsidiaries, namely CapitaLand China Holdings Pte Ltd and CapitaLand China Commercial Investment Limited have entered into an agreement to collectively divest 100% of Innov Tower, an 8-year old office building located Shanghai's Xuhui district for cash consideration of USD195mn (~SGD272mn). The divestment is also expected to be completed in June 2017. Net-net, CAPL faces a near-term outflow of SGD153mn. As at 31 March 2017, CAPL's cash balance was SGD4.4bn, of which SGD1.3bn was held at the CAPL (company-level) and its treasury vehicles. We expect the transaction to have a minimal impact to net gearing levels and as such maintain CAPL's issuer profile at Positive. (Company, OCBC)

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