

April 10, 2017

**Credit Headlines (Page 2 onwards):** Sembcorp Industries Ltd, CWT Ltd, Sabana Shari'ah Compliant Industrial REIT, Industry Outlook – China property

**Market Commentary:** The SGD swap curve traded downwards on Friday with swap rates trading 1-4bps lower across the medium to long tenors. The short end of the curve was relatively flattish last Friday. Flows in SGD corporates were heavy, with better buying seen in BNP 3.65%'24s, SOCGEN 4.3%'26s, and mixed interest in FCLSP 4.15%'27s, GUOLSP 3.62%'21s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 198bps while the yield on JACI HY corporates fell 1bps to 6.56%. 10y UST yields rose by 4bps last Friday, after New York Federal Reserve President William Dudley downplayed the length of any pause in short-term rate normalization by the central bank when it starts to shrink its balance sheet. Earlier in the day, 10y UST yields fell after a report showed U.S. employers added far fewer jobs last month than forecast.

**New Issues:** CITIC Securities Finance MTN Co. scheduled investor meetings on 10 April 2017 for potential USD bond issuance. The expected issue rating are 'NR/Baa1/NR'. CCB Life Insurance Company Limited hired banks for potential USD Core Tier 2 bond issuance. The expected issuance ratings are 'BBB/Baa3/NR'.

**Rating Changes:** S&P upgraded Alumina Ltd.'s (Alumina) corporate credit rating and its associated issue ratings to 'BB+' from 'BB'. The rating outlook on the long-term rating is stable. The rating action reflects the sound performance of the joint venture (JV), Alcoa World Alumina and Chemicals (AWAC), and strategic alignment of Alumina and Alcoa Corp. S&P downgraded China Mengniu Dairy Co. Ltd.'s (Mengniu) corporate credit rating and issue rating on the company's senior unsecured notes to 'BBB+' from 'A-'. The outlook is negative. In addition, S&P removed all the ratings from CreditWatch (negative). The rating action reflects S&P's expectation that Mengniu's consolidated debt leverage will increase materially due to its purchase of additional shares of China Modern Dairy Holdings Ltd. (CMD) and the consolidation of the debt-heavy company.

**Table 1: Key Financial Indicators**

	10-Apr	1W chg (bps)	1M chg (bps)		10-Apr	1W chg	1M chg
iTraxx Asiax IG	96	1	1	Brent Crude Spot (\$/bbl)	55.38	4.25%	7.81%
iTraxx SovX APAC	21	0	-7	Gold Spot (\$/oz)	1,253.25	-0.02%	4.04%
iTraxx Japan	45	1	-6	CRB	187.11	0.66%	2.44%
iTraxx Australia	84	1	0	GSCI	395.20	1.80%	3.98%
CDX NA IG	65	-2	1	VIX	12.87	4.04%	10.38%
CDX NA HY	107	0	0	CT10 (bp)	2.386%	6.65	-18.87
iTraxx Eur Main	74	-1	3	USD Swap Spread 10Y (bp)	-3	-1	0
iTraxx Eur XO	284	-10	1	USD Swap Spread 30Y (bp)	-40	-2	-2
iTraxx Eur Snr Fin	89	-3	3	TED Spread (bp)	34	-5	-2
iTraxx Sovx WE	12	-1	-5	US Libor-OIS Spread (bp)	21	-1	-2
iTraxx Sovx CEEMEA	52	0	-12	Euro Libor-OIS Spread (bp)	2	0	1
					10-Apr	1W chg	1M chg
				AUD/USD	0.750	-1.34%	-0.52%
				USD/CHF	1.010	-0.80%	0.13%
				EUR/USD	1.058	-0.82%	-0.84%
				USD/SGD	1.407	-0.67%	0.43%
Korea 5Y CDS	51	0	4	DJIA	20,656	-0.03%	-1.18%
China 5Y CDS	83	0	-5	SPX	2,356	-0.30%	-0.72%
Malaysia 5Y CDS	110	2	-1	MSCI Asiax	584	-0.18%	4.23%
Philippines 5Y CDS	83	0	-2	HSI	24,302	0.79%	3.11%
Indonesia 5Y CDS	131	2	0	STI	3,177	-0.35%	1.38%
Thailand 5Y CDS	53	0	-3	KLCI	1,740	-0.34%	1.28%
				JCI	5,653	1.53%	4.88%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
6-Apr-17	Yancoal International Resources Development Co.	"B+/NR/NR"	USD500mn	Perp NC3	5.75%
6-Apr-17	Modernland Overseas Pte. Ltd.	"B/B2/B"	USD240bn	7NC4	6.95%
5-Apr-17	Jingrui Holdings Ltd.	"NR/Caa1/NR"	USD400mn	3-year	8%
5-Apr-17	Sinopec Group Overseas Development	"NR/Aa3/NR"	USD1bn	3-year	CT3+98bps
5-Apr-17	Sinopec Group Overseas Development	"NR/Aa3/NR"	USD1.1bn	5-year	CT5+113bps
5-Apr-17	Sinopec Group Overseas Development	"NR/Aa3/NR"	USD1bn	10-year	CT10+133bps
5-Apr-17	Sinopec Group Overseas Development	"NR/Aa3/NR"	USD300mn	30-year	4.25%
5-Apr-17	Korea South-East Power Co.	"AA/Aa2/NR"	USD300mn	3-year	CT3+97.5bps
5-Apr-17	JSW Steel Ltd.	"NR/Baa3/BBB."	USD500mn	5-year	5.25%

Source: OCBC, Bloomberg

**Rating Changes (cont'd):** S&P upgraded Australia-based mining equipment rental company EMECO Holdings Ltd.'s (Emeco) corporate credit rating to 'B-' from 'SD'. In addition, S&P also assigned a 'B-' rating to the new senior secured bonds due 2022. The rating outlook on the long-term rating is negative. The rating action follows the post-recapitalization and merger with Orionstone and Andy's Earthmovers. According to S&P, the implementation of this arrangement has improved the sustainability of Emeco's capital structure through a reduction in leverage. Moody's affirmed Emeco Holdings Limited's Corporate Family Rating (CFR) at 'Caa1' and assigned a 'Caa1' senior secured debt rating to the Tranche B notes of Emeco Pty Limited. The rating outlook is stable. Moody's has assigned a 'Baa3(hyb)' rating to CCB Life Insurance Company Limited's (CCB Life) proposed issuance of Core Tier 2 capital securities. The rating outlook is negative. The rating action reflects the securities' subordination to claims of policyholders, general creditors and the holders of any supplemental capital of CCB Life. S&P also assigned a 'BBB' issue rating to CCB Life's proposed issuance of USD core Tier 2 securities. In addition, S&P assigned an 'A-' local and foreign currency issuer credit rating to CCB Life. The rating outlook is stable. Moody's affirmed Golden Eagle Retail Group Ltd's 'B1' corporate family and 'B2' senior unsecured ratings. In addition, Moody's revised the ratings outlook to stable from negative. The rating action reflects Moody's expectation that Golden Eagle will demonstrate stable operating performance over the next 12-18 months, and that it will successfully refinance its syndicated loan due in April 2018. Moody's assigned '(P)Aa2/(P)P-1' ratings to Commonwealth Bank of Australia (CBA) Singapore Branch's USD5billion Asian Transferable Certificates of Deposit Program. The rating outlook is negative. According to Moody's, the ratings assigned to the program are aligned with CBA's existing 'Aa2/P-1' issuer ratings.

## Credit Headlines:

**Sembcorp Industries Ltd ("SCI"):** SCI has announced that Sembcorp Green Infra, the Indian renewable power business SCI acquired in February 2015, has won a bid for a new power project with 250MW in capacity based in Tamil Nadu. The project cost is estimated to be around INR19bn (~SGD405mn), and is targeted to be fully commissioned by March 2019. The project is expected to be funded via a mixture of internal funds and debt. In general, we expect such utility projects to be more debt-funded, potentially weighing on SCI's leverage profile. That said, given SCI's sizable balance sheet (SGD22.3bn in assets as of end-2016), we expect the impact on SCI's leverage profile to be manageable, and will leave SCI's Issuer Profile at Neutral. (Company, OCBC)

**CWT Ltd ("CWT"):** HNA Belt and Road Investments (Singapore) Pte Ltd, a wholly-owned subsidiary of HNA Holding Group Co. Limited ("HNA Listco") has announced a pre-conditional offer announcement to acquire all the issued and paid-up ordinary shares in CWT at SGD2.33 per share in cash. There are no change of control provisions on CWT's bonds. HNA Listco is listed on the Hong Kong stock exchange with a market cap of HKD3.9bn. Via Hong Kong HNA Holding Group Co. Limited (which holds 57.1%-stake in HNA Listco) and HNA Group (International) Company Limited (which holds 9.7%-stake in HNA Listco), HNA Group Co. Ltd is HNA's Listco's parent company. The remaining 33.2%-stake of HNA Listco is held by public shareholders. The voluntary offer is conditional upon (1) anti-trust regulatory bodies in China, European Union, Japan, South Africa, Turkey and Taiwan either confirming that it will not conduct further review or allowing the consummation of the voluntary offer (without conditions or on conditions reasonably satisfactory to the offeror) (2) no material adverse effect and (3) shareholders of HNA Listco approving the deal at a general meeting. All pre-conditions need to be fulfilled or waived by the offeror on or before 9 September 2017 (long-stop date). The current Group CEO Mr Loi Pok Yen and the Deputy Group CEO cum Group CFO Mrs Lynda Goh will each agree to a fixed employment term of 3 years. These will come into effect upon the offer turning unconditional. We view the likelihood of the deal completion as high, with CWT delisted from the SGX and effectively subsumed as a key subsidiary of HNA Listco. For the year ended December 2016, HNA Listco reported losses for the year of HKD59.8mn. We expect the acquisition for CWT to be funded via borrowings (thus far, 2 Malaysian banks have been reportedly named as lenders for the deal). Based on news reports, the HNA Group has historically used assets of acquired companies as collateral for fresh fund raising for acquisitions. In the immediate term, we think the CWT'19s and '20s could see widening in spreads (though capped at 80-90 bps based on the SANYPH'19s which are further removed from CWT's assets) to reflect the potential change in ownership to HNA Listco. We do not cover HNA Listco nor its parent company and are reviewing the issuer profile of CWT. (Company, OCBC)

## Credit Headlines (cont'd):

**Sabana Shari'ah Compliant Industrial REIT ("SSREIT"):** Vibrant Group Limited (the "Sponsor") of SSREIT has disclosed that it is currently engaged in discussions in relation to the acquisition of a further stake in the REIT Manager of SSREIT. However, no binding arrangements have been entered into with respect of any transaction. The Sponsor currently holds a 51%-stake in the REIT Manager, with the remaining stake in the REIT Manager largely held by members of the senior management team. We see the full acquisition of the REIT Manager by the Sponsor as a credit neutral event and unlikely to pacify dissenting unitholders. SSREIT's Strategic Review is ongoing. (Company, OCBC)

**Industry Outlook – China property:** On Friday, Beijing announced plans to supply 6,000 hectares of land by 2021 for residential housing (30% of the land will be used to build houses for rental). In 2017, Beijing will offer 1,200 hectares of residential land to build 300,000 residential housing units. We see this move as a signal of commitment of the Chinese government in stabilising property prices as this is aimed at alleviating supply-demand imbalances for housing in Beijing. Before Friday, property cooling measures since September/October 2016 have largely focused on dampening demand from home buyers. We expect to see other cities releasing more land in a bid to stabilise property prices. (Chinadaily, OCBC)

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