

April 11, 2017

Credit Headlines (Page 2 onwards): Industry Outlook – Singapore Residential Property, Industry Outlook – China property, National Australia Bank Ltd.

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 1-3bps higher across all tenors. Flows in SGD corporates were moderate, with mixed interest in BNP 3.65%'24s, UOBSP 3.5%'29s, SIASP 3.035%'25s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 196bps while the yield on JACI HY rose 2bps to 6.57%. 10y UST yields fell by 2bps yesterday, amid a risk-off bid throughout markets and US Federal Reserve Chairwoman Janet Yellen's speech. In her speech, Yellen shared her expectations for the US economy to grow at a moderate pace and gradual interest rate increases to "get us (U.S) where we need to be".

New Issues: OUE Treasury Pte. Ltd priced a SGD200mn 5-year bond (guaranteed by OUE Ltd.) at 3.75%, tightening from initial guidance of 4%. Hong Kong Red Star Macalline Universal Home Furnishing Ltd. scheduled investor meetings from 11 April for potential USD bond issuance (guaranteed by Red Star Macalline Group Corporation Ltd). Nuoxi Capital Ltd. scheduled investor calls on 11 April for potential USD bond issuance (guaranteed by Hongkong JHC Co.). Hong Kong International Construction Investment Management Group Co. scheduled investor meetings from 11 April for potential bond issuance. Yida China Holdings Ltd. hired banks for potential USD bond offering. The expected issue ratings are 'B-/B3/B'. Tower Bersama Infrastructure Tbk PT is planning to offer up to USD500mn of notes due 2025.

Rating Changes: S&P assigned a 'B' corporate credit rating to China-based property developer Yida China Holding Ltd. (Yida), with stable outlook. In addition, S&P assigned a 'B-' issue rating to Yida's proposed U.S.-dollar-denominated senior unsecured notes. The rating action reflects Yida's good market position in business park development in China and its good execution record helps mitigate Yida's limited geographical diversity, high leverage and tight liquidity given its large capital spending to develop new business parks.

Table 1: Key Financial Indicators

	11-Apr	1W chg (bps)	1M chg (bps)		11-Apr	1W chg	1M chg
iTraxx Asiax IG	96	2	2	Brent Crude Spot (\$/bbl)	56.02	3.42%	9.05%
iTraxx SovX APAC	21	0	-6	Gold Spot (\$/oz)	1,254.76	-0.12%	4.19%
iTraxx Japan	44	0	-7	CRB	187.63	1.68%	2.73%
iTraxx Australia	85	0	0	GSCI	398.84	2.42%	4.94%
CDX NA IG	65	-1	0	VIX	14.05	13.49%	20.50%
CDX NA HY	107	0	0	CT10 (bp)	2.345%	-1.60	-23.00
iTraxx Eur Main	76	1	4	USD Swap Spread 10Y (bp)	-4	-2	-1
iTraxx Eur XO	290	-2	3	USD Swap Spread 30Y (bp)	-40	-1	-2
iTraxx Eur Snr Fin	92	0	5	TED Spread (bp)	36	-1	-2
iTraxx Sovx WE	13	0	-2	US Libor-OIS Spread (bp)	21	-1	-2
iTraxx Sovx CEEMEA	53	1	-11	Euro Libor-OIS Spread (bp)	2	0	1
					11-Apr	1W chg	1M chg
				AUD/USD	0.751	-0.78%	-0.86%
				USD/CHF	1.009	-0.69%	-0.18%
				EUR/USD	1.059	-0.82%	-0.63%
				USD/SGD	1.406	-0.53%	0.59%
Korea 5Y CDS	53	3	7	DJIA	20,658	0.04%	-1.17%
China 5Y CDS	83	2	-4	SPX	2,357	-0.07%	-0.65%
Malaysia 5Y CDS	110	3	-1	MSCI Asiax	583	-0.24%	3.99%
Philippines 5Y CDS	83	1	-1	HSI	24,279	0.07%	3.01%
Indonesia 5Y CDS	131	4	1	STI	3,182	0.10%	1.56%
Thailand 5Y CDS	54	2	-2	KLCI	1,738	-0.52%	1.19%
				JCI	5,642	-0.18%	4.66%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
10-Apr-17	OUE Treasury Pte. Ltd.	Not Rated	SGD200mn	5-year	3.75%
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

Source: OCBC, Bloomberg

Rating Changes (cont'd): S&P placed on CreditWatch with negative implications its long-term corporate credit ratings on Seven & i Holdings Co. Ltd., Seven-Eleven Japan Co. Ltd., and 7-Eleven Inc. The rating action follows Seven & i's announcement on April 6 that it will acquire the gasoline retail and convenience store business of U.S.-based Sunoco LP for about USD3.3bn. S&P announced that it will resolve the CreditWatch placements after examining Seven & i's business results and financial standing following the acquisition. In particular, S&P will examine Seven & i's North American business operations, forecast earnings and profitability following the addition of Sunoco LP's store network, how the acquisition will be financed, its investment plan, and its forecast for operating lease obligations. Moody's affirmed Sino-Ocean Group Holding Limited's (Sino Ocean) 'Baa3' issuer ratings and senior unsecured ratings on the bonds issued by Sino-Ocean Land Treasure Finance I Limited and Sino-Ocean Land Treasure Finance II Limited (guaranteed by Sino Ocean). In addition, Moody's revised the outlook of the ratings to stable from negative. The rating changes reflects Moody's expectation that Sino-Ocean's improved credit metrics will be sustained over the next 12-18 months, and that the support the company will likely receive from China Life Insurance Co Ltd in times of need will remain unchanged. Moody's affirmed Bank of China Limited and its overseas branches' (BOC) medium-term note (MTN) program ratings at '(P)A1'. The rating action follows the MTN program upside to USD30b from USD20bn.

Credit Headlines:

Industry Outlook – Singapore Residential Property: The URA announced that it will be releasing the residential site at Stirling Road from the reserve list, after receiving a commitment from a developer to bid at least SGD685.25mn. At a maximum GFA of 954,327 sq ft, this translates to a minimum bid price of SGD718 psf. The site could attract keen bids, as a number of developers are running low on landbank in Singapore. In a recently concluded tender for a land parcel previously on reserve list, we saw 14 developers bidding for Margaret Drive. (URA, OCBC)

Industry Outlook – Hong Kong Residential Property: [As mentioned in our OCBC Asian Credit Daily – 3 Apr 2017](#), the HKMA has expressed concerns about the high LTV mortgages provided by the developers (which were reported to be as high as 95%). While the HKMA does not directly regulate financing provided by developers, and the total amount of such mortgages is likely to be small compared to the reverse mortgage loans provided by banks, it notes that such mortgages have been growing. Thus far, the HKMA has advised banks not to provide loans to finance companies which offer such mortgages, and said it may require banks to take further steps to manage risks to the property sector. (Bloomberg, OCBC)

National Australia Bank Ltd. ("NAB"): NAB announced that it was raising rates again (5th change in rates, policy and marketing in a month). Changes were made (effective 07/04/17) to new fixed-rate mortgages by up to 40bps. One-year fixed rate for residential investment loans were hiked 30bps for P&I loans, and hiked 40bps for interest-only loans. Rates for all other interest-only owner-occupier and interest-only residential investment loans were increased 10bps. This continued increase in mortgage rates is consistent with the Australian banking regulator's previous measures to curb property investment lending. As mentioned previously, while such measures are expected to help relieve ongoing net interest margins ('NIM') pressure, it does not alter our view of NAB's Neutral issuer profile. (Company, OCBC)

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