

Sep 12, 2017

Credit Headlines (Page 2 onwards): United Engineers Ltd/ Oxley Holdings Ltd/ Yanlord Land Group Ltd/ Perennial Real Estate Holdings Ltd, Golden Agri-Resources Ltd

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates trading 2-6bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, WINGTA 4.35%-PERPs, OLAMSP 5.5%-PERPs, GEMAU 5.5%'19s, SIASP 3.13%'27s. In the broader dollar space, the spread on JACI IG Corp fell 3bps to 192bps, while the yield on JACI HY Corp rose 1bps to 6.76%. 10Y UST yields rose 8bps to 2.13%, as risk appetite recovered after Hurricane Irma did less damage than expected and tensions with North Korea cooled.

New Issues: Sumitomo Mitsui Trust Bank Limited has priced a two tranche deal, with the USD700mn 2-year fixed rate bond priced at CT2+67bps, tightening from initial guidance of CT2+85bps; and the USD300mn 2-year floating rate bond priced at 3mL+44bps, with the initial guidance at LIBOR equivalent. The expected issue ratings are 'A/A1/NR'. Mitsubishi UFJ Lease & Finance has priced a USD500mn 5-year bond at CT5+95bps, tightening from initial guidance of CT5+112.5bps area. The expected issue ratings are 'A/A3/NR'. Sun Hung Kai & Co (BVI) Ltd has priced a USD150mn re-tap of its SUNHKC 4.65%'22s (guaranteed by Sun Hung Kai & Co Ltd) at 4.55%, tightening from final guidance of 4.65% area. BOC Aviation Ltd has priced a two-tranche deal, with the USD500mn 5-year bond priced at CT5+117.5bps, tightening from initial guidance of CT5+140bps; and the USD500mn 10-year bond priced at CT10+140bps, tightening from initial guidance of CT10+165bps. The expected issue ratings are 'A-/NR/A-'. HT Global IT Solutions Holdings Ltd has set final guidance for a USD85mn re-tap of its HTGLOB 7%'21s at 105.125. Newcastle Coal Infrastructure Group has scheduled investor meetings for potential USD 10-year bond from 14 Sep. Wynn Macau Limited would be pricing a USD1.35bn deal in 7NC3 and 10NC5 tranches on 13 Sep to redeem its 2021 notes.

Table 1: Key Financial Indicators

	12-Sep	1W chg (bps)	1M chg (bps)		12-Sep	1W chg	1M chg
iTraxx Asiax IG	76	-3	-11	Brent Crude Spot (\$/bbl)	53.76	0.71%	3.19%
iTraxx Sovx APAC	19	0	-4	Gold Spot (\$/oz)	1,325.78	-1.04%	3.40%
iTraxx Japan	44	0	0	CRB	181.66	0.39%	1.14%
iTraxx Australia	67	-3	-12	GSCI	388.16	0.46%	1.35%
CDX NA IG	58	-2	-2	VIX	10.73	5.92%	-30.82%
CDX NA HY	107	0	0	CT10 (bp)	2,129%	6.92	-6.00
iTraxx Eur Main	52	-3	-4	USD Swap Spread 10Y (bp)	-4	1	0
iTraxx Eur XO	228	-8	-16	USD Swap Spread 30Y (bp)	-35	0	-2
iTraxx Eur Snr Fin	50	-1	-3	TED Spread (bp)	27	-4	1
iTraxx Sovx WE	5	0	0	US Libor-OIS Spread (bp)	15	-1	0
iTraxx Sovx CEEMEA	43	1	-6	Euro Libor-OIS Spread (bp)	3	0	0
					12-Sep	1W chg	1M chg
				AUD/USD	0.802	0.25%	2.09%
				USD/CHF	0.956	-0.12%	1.64%
				EUR/USD	1.196	0.34%	1.49%
				USD/SGD	1.347	0.50%	1.21%
Korea 5Y CDS	68	-1	-2	DJIA	22,057	0.32%	0.91%
China 5Y CDS	58	-1	-10	SPX	2,488	0.47%	1.92%
Malaysia 5Y CDS	68	-4	-14	MSCI Asiax	668	1.26%	4.49%
Philippines 5Y CDS	61	-1	-11	HSI	27,955	0.77%	3.99%
Indonesia 5Y CDS	98	-4	-16	STI	3,236	-0.48%	-1.34%
Thailand 5Y CDS	52	-3	-12	KLCI	1,786	0.94%	1.09%
				JCI	5,872	1.00%	1.83%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
11-Sep-17	Sumitomo Mitsui Trust Bank Limited	'A/A1/NR'	USD700mn	2-year	CT2+67bps
11-Sep-17	Sumitomo Mitsui Trust Bank Limited	'A/A1/NR'	USD300mn	2-year	3mL+44bps
11-Sep-17	Mitsubishi UFJ Lease & Finance	'A/A3/NR'	USD500mn	5-year	CT5+95bps
11-Sep-17	Sun Hung Kai & Co (BVI) Ltd	Not Rated	USD150mn	SUNHKC 4.65%'22s	4.55%
11-Sep-17	BOC Aviation Ltd	'A-/NR/A-'	USD500mn	5-year	CT5+117.5bps
11-Sep-17	BOC Aviation Ltd	'A-/NR/A-'	USD500mn	10-year	CT10+140bps
8-Sep-17	China Huiyuan Juice Group Limited	'NR/B+/B+'	USD50mn	CHIHUI 6.5%'20s	100.0
7-Sep-17	Sumitomo Life Insurance Co	'NR/A3/A-'	USD1.34bn	60NC10	4.00%
7-Sep-17	Santos Finance Ltd	'BBB-/NR/NR'	USD800mn	10-year	CT10+210bps

Source: OCBC, Bloomberg

Rating Changes: S&P has assigned Yihua Enterprise (Group) Co Ltd (Yihua group) a corporate credit rating of 'B'. The outlook is stable. The rating action reflects Yihua group's limited market share in the competitive global furniture industry, execution risks from expansion into healthcare services, and high debt leverage. However, the risks are tempered by Yihua group's good business diversity, vertically integrated supply chain in the furniture segment, high profit margin, and large balance of cash and liquid investments. Fitch has assigned PT Ciputra Development Tbk (Ciputra Development) an Issuer Default Rating of 'BB-'. The outlook is stable. The rating action reflects Ciputra Development's geographical and product diversification, solid recurring income, large land bank and strong joint-development record. Fitch has upgraded KT Corporation's (KT) Issuer Default Rating (IDRs) and senior unsecured ratings to 'A' from 'A-'. The outlook on the IDRs is Stable. The rating action reflects KT's stronger financial profile achieved through the disposal of its non-core assets, workforce reduction and effective cost control.

Credit Headlines:

United Engineers Ltd ("UE") / Oxley Holdings Ltd ("OHL") / Yanlord Land Group Ltd ("YLG") / Perennial Real Estate Holdings Ltd ("PREH"): The YLG-led consortium (with PREH) had announced that they will be again extending the mandatory conditional cash offer (SGD2.60 / share) for UE shares by an additional one week to 19 Sep 2017. As a recap, the YLG-led consortium holds a 33.43% stake in UE. As of 11 Sep 2017, the acceptance for the offer represents 1.35% of the total number of UE shares (increasing only slightly from the 1.21% seen on 28 Aug 2017). As mentioned previously, UE's share price trades above the offer price and we believe it is unlikely to see a significant increase in the acceptance rate for the offer. It is worth noting that OHL and its chairman Ching Chiat Kwong currently holds 14.9% of UE in aggregate. We do not currently cover UE. (Company, OCBC)

Golden Agri-Resources Ltd ("GGR"): GGR announced that its wholly-owned subsidiary, PT Purimas Sasmita ("PTPS") has entered into binding agreements with PT Duta Cakra Pesona ("Cakra") to transfer PTPS' rights and obligations on 23 floors of Sinarmas MSIG Tower ("Property") to Cakra for a net cash consideration of ~USD107.5mn. This is an interested party transaction as Cakra is a wholly-owned subsidiary of PT Bumi Serpong Damai Tbk ("BSDE"), which in turn is 48.4% owned by Sinarmas Land Limited ("Sinarmas"). Both GGR and Sinarmas share common controlling shareholders. GGR and Sinarmas is owned by the Widjaja family, at ~50.4% and ~70.3% respectively (including deemed interest). The Property, used for office purposes, is located in the Setiabudi sub-district (in the central business district of Jakarta) and within the vicinity of the International Financial Centre and the Grand Sahid Jaya hotel. GGR is expected to record net profit of ~USD15mn from the transaction. While we estimate that this transaction only represents 2.7% of GGR's net tangible asset of USD3.97bn as at 30 June 2017, this cash from its sister company will come in handy. Excluding debt which we estimate to be working capital related and likely routinely rolled over, GGR had USD640mn (as at 30 June 2017) in short term debt which will need to be refinanced/paid down. We are maintaining GGR's issuer profile at Neutral (Company, OCBC)

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