

April 19, 2017

Credit Headlines (Page 2 onwards): Marco Polo Marine Ltd, Capitaland Commercial Trust

Market Commentary: The SGD swap curve was range-bound yesterday, with the shorter tenors trading around 1bps lower while the medium to longer tenors traded 1-3bps higher. Flows in SGD corporates were heavy, with better buying seen in OUESP 3.75%'22s, mixed interest in FCLSP 4.15%'27s, UOBSP 3.5%'29s, SOCGEN 4.3%'26s, BNP 3.65%'24s. In the broader dollar space, the spread on JACI IG corporates was flattish at 204bp, while the yield on JACI HY rose 1bps to 6.54%. 10y UST yields fell 8bps yesterday to 2.17%, as markets continued to be driven by declining expectations for tax reform as well as geopolitical concerns. Drivers included fading confidence in tax reform, North Korean missile tests, Sunday's first-round French election and a spate of weak U.S. economic data including March housing starts reported on Tuesday.

New Issues: Korea Resources Corporation priced a USD425mn 5-year senior notes at CT5+130bps, tightening from initial guidance of CT5+140bps. The expected issue ratings are 'A+/A1/NR'. Cagamas Global PLC priced a USD350mn 3-year bond (guaranteed by Cagamas Berhad) at CT3+115bps, tightening from initial guidance of CT3+125bps. The expected issue ratings are 'NR/A3/NR'. China Huarong Asset Management scheduled investor meetings from 19 April for potential USD and SGD bond issuance. The expected issue ratings are 'NR/Baa1/A'. PT Saka Energi Indonesia scheduled investor meetings from 19 April for potential USD bond issuance. The expected issue ratings are 'BB/Baa1/BB+'. HPCL-Mittal Energy Ltd. scheduled investor roadshows from 19 April for potential USD bond issuance. Rongshi International Finance Ltd scheduled investor meetings from 19 April for potential USD bond issuance (guaranteed by State Development & Investment Corporation). The expected issue ratings are 'A+/A1/A+'. State Grid Overseas Development (2016) Ltd. scheduled investor roadshow from 19-25 April for potential USD bond issuance (guaranteed by State Grid Corporation of China). The expected issue ratings are 'AA/Aa3/NR'. QBE Insurance Group Ltd has mandated banks for potential USD senior notes under green bond framework.

Table 1: Key Financial Indicators

	19-Apr	1W chg (bps)	1M chg (bps)		19-Apr	1W chg	1M chg
iTraxx Asiax IG	104	4	7	Brent Crude Spot (\$/bbl)	54.81	-2.53%	5.89%
iTraxx SovX APAC	24	2	4	Gold Spot (\$/oz)	1,287.52	0.06%	4.32%
iTraxx Japan	48	1	-2	CRB	186.54	-0.58%	1.12%
iTraxx Australia	91	4	0	GSCI	396.54	-0.58%	3.50%
CDX NA IG	69	1	1	VIX	14.42	2.63%	27.84%
CDX NA HY	107	0	-1	CT10 (bp)	2.177%	-6.21	-32.34
iTraxx Eur Main	77	0	1	USD Swap Spread 10Y (bp)	-4	-1	-1
iTraxx Eur XO	300	4	4	USD Swap Spread 30Y (bp)	-43	-2	-4
iTraxx Eur Snr Fin	94	2	2	TED Spread (bp)	36	1	-7
iTraxx Sovx WE	14	1	-1	US Libor-OIS Spread (bp)	22	0	-2
iTraxx Sovx CEEMEA	51	-2	4	Euro Libor-OIS Spread (bp)	3	1	1
					19-Apr	1W chg	1M chg
				AUD/USD	0.753	0.15%	-2.56%
				USD/CHF	0.997	0.58%	0.15%
				EUR/USD	1.073	0.56%	-0.13%
				USD/SGD	1.396	-0.07%	0.04%
Korea 5Y CDS	61	3	15	DJIA	20,523	-0.65%	-1.87%
China 5Y CDS	91	5	6	SPX	2,342	-0.64%	-1.52%
Malaysia 5Y CDS	117	4	10	MSCI Asiax	579	-0.72%	-0.73%
Philippines 5Y CDS	88	3	3	HSI	23,833	-1.77%	-1.96%
Indonesia 5Y CDS	140	4	10	STI	3,122	-1.66%	-1.50%
Thailand 5Y CDS	58	2	3	KLCI	1,740	-0.22%	-0.29%
				JCI	5,607	-0.67%	1.19%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
18-Apr-17	Korea Resources Corporation	"A+/A1/NR"	USD425mn	5-year	CT5+130bps
18-Apr-17	Cagamas Global PLC	"NR/A3/NR"	USD350mn	3-year	CT3+115bps
12-Apr-17	Oxley MTN Pte Ltd.	Not Rated	USD200mn	4-year	6.375%
12-Apr-17	CCB Life Insurance Company Ltd.	"BBB/Baa3/NR"	USD500mn	60NC5	4.5%
12-Apr-17	Daiwa Securities Group, Inc.	"A-/Baa1/NR"	USD1bn	5-year	CT5+130bps
12-Apr-17	Japan Finance Organization for Municipalities	"A+/A1/NR"	USD1bn	5-year	MS+74bps
11-Apr-17	Barmenco Finance Pty Limited	"NR/B2/NR"	USD350mn	5NC2	6.625%
11-Apr-17	Korea Expressway Corporation	"AA/Aa2/NR"	USD400mn	3-year	3mL+70bps
11-Apr-17	Bank of China Limited, Dubai Branch	"NR/A1/A"	USD650mn	3-year	3mL+77bps

Source: OCBC, Bloomberg

Rating Changes: S&P assigned Indonesia-based upstream oil and gas exploration and production (E&P) company PT Saka Energi Indonesia (Saka) a 'BB' corporate credit rating. In addition, S&P also assigned a 'BB' issue rating to the USD denominated senior unsecured notes that Saka proposed to issue. The outlook is positive. The rating action reflects S&P's assessment of the company's 'b+' stand-alone credit profile (SACP) and Saka's benefit from extraordinary support from its parent, Indonesia-based gas distributor PT Perusahaan Gas Negara (Persero) Tbk. Moody's assigned Saka a 'Ba1' corporate family rating and a Ba1 rating to the proposed USD denominated bonds, while Fitch assigned Saka a Foreign-Currency Issuer Default Rating (IDR) of 'BB+' and an expected rating of 'BB+(EXP)' to the proposed USD denominated bonds. Moody's assigned Sime Darby Plantation Sdn Bhd (SDP) a first-time 'Baa1' issuer rating. The rating outlook is stable. The rating action reflects SDP's market leadership position, firstly, as the largest listed oil palm plantation company by planted area and crude palm oil production, and secondly, as the leading producer globally of certified sustainable palm oil. Fitch expects to assign SDP a Foreign-Currency Issuer Default Rating (IDR) of 'BBB+(EXP)', and an expected senior unsecured rating of 'BBB+(EXP)'. Moody's assigned State Development & Investment Corporation (SDIC) a first-time 'A1' issuer rating and senior unsecured rating to the proposed USD notes (guaranteed by SDIC) to be issued by Rongshi International Finance Limited. The ratings outlook is negative. The rating action reflects (1) SDIC's solid standalone credit quality, as evidenced by its 'baa3' baseline credit assessment (BCA); and (2) Moody's assessment of the very high likelihood that SDIC will receive extraordinary support from the Chinese government in case of a need, which provides a five-notch uplift to the rating. Fitch assigned SDIC an 'A+' Foreign- and Local-Currency Issuer Default Ratings (IDR), as well as an expected rating of 'A+(EXP)' to the proposed US dollar senior unsecured guaranteed notes. Moody's upgraded China Metallurgical Group Corporation's (CMGC) issuer rating and senior unsecured rating on the bonds (guaranteed by CMGC) issued by China Jingye Construction Engineering (Singapore) Pte Ltd's to 'Baa2' from 'Baa3'. In addition, Moody's adjusted CMGC's baseline credit assessment (BCA) to 'ba2' from 'ba3'. The ratings outlook is stable. The rating action reflects Moody's expectation that CMGC's financial leverage will continue to improve over the next 12-18 months, given its steady revenue growth, improved earnings and reduced debt levels. Moody's affirmed Scentre Group's (Scentre) 'A1' issuer rating. In addition, Moody's revised the rating outlook to negative from stable. The rating action reflects Scentre's elevated financial leverage, which is above the tolerance level set for its 'A1' rating. Moody's stated that the absence of measures to reduce financial leverage to below 6 times within 6-12 months will lead to a likely downgraded to 'A2'. Moody's withdrew Far East Hospitality Trust's (Far East) 'Baa2' issuer rating. The rating outlook was negative at the time of its withdrawal. Moody's has withdrawn the rating for its own business reasons.

Credit Headlines:

Marco Polo Marine Ltd ("MPM"): MPM had announced that it does not expect to make payment on the coupon due 18/04/17 on the MPMSF'19s. As a reminder, MPM had only recently restructured its bonds in October 2016, extending the maturity of the bonds by 3 years as well as increasing the coupon of the bonds by 150bps. In a separate filing on the same day, MPM had provided an update regarding its current business and financial situation, and had indicated that 1) MPM had not been able to secure a formal standstill agreement from its bank lenders, nor were they able to obtain additional bank facilities 2) MPM had not be able to secure aid from SPRING Singapore (under SPRING's financial assistance programme) as previously anticipated. As a result, MPM had continue to face cashflow challenges. In the filing that disclosed MPM's intention to potentially miss its coupon payment, MPM had indicated that monies earmarked for the coupon payment had been redeployed to working capital for business sustainability. MPM had indicated that it will be holding an informal noteholders' meeting on 21/04/17 to update noteholders regarding MPM's proposed refinancing and debt restructuring exercise. OCBC credit research does not currently cover MPM. (Company)

Credit Headlines (cont'd):

Capitaland Commercial Trust ("CCT"): The issuer reported 1Q2017 results. Gross revenue jumped 33.9% y/y to SGD89.5mn while NPI increased 34.3% y/y to SGD69.9mn. As mentioned in previous quarters, this was largely driven by CCT's acquisition of the balance of CapitaGreen (previously CCT only held 40%) which was completed on 31/08/16. Excluding the acquisition, performance still held up, with gross revenue increasing 1.0% y/y to SGD67.6mn and NPI increasing 0.6% y/y to SGD51.7mn. Performance at Capital Tower was particularly strong with property revenue up 8% y/y, helping to offset declines seen at Six Battery Road and Golden Shoe Car Park ("GSCP"). The declines at GSCP are unsurprising, given the property's looming redevelopment (final operating day is 31/07/17) causing occupancy to remain weak at 73.7%. In aggregate, portfolio committed occupancy has improved q/q to 97.8% (4Q2016: 97.1%) which compares well against CBRE's Singapore core CBD office occupancy of 95.6% for 1Q2017. The trend for Grade A office market (as per CBRE) looks supportive with occupancy increasing 0.8% q/q to 96.6%. Comparatively, due to competition, CCT's portfolio average office rent had dipped for the second consecutive quarter (SGD9.20 psf to SGD9.18 psf), but still stronger than CBRE's Grade A office average rents of SGD8.95 psf. As CCT had largely renewed most of its leases expiring in 2017 ahead of time (only 5% of NLA, of which 1.5% is currently under advanced negotiation), CCT is well positioned for the year. The challenge, as highlighted by management, would be 2018 and 2019, as CCT still has 15% and 33% of NLA respectively expiring, with the Grade A assets (plus Raffles City Tower) having higher passing rents to meet. WALE dipped q/q to 6.4 years (4Q2016: 6.6 years). Aggregate leverage had worsened slightly to 38.1% (4Q2016: 37.8%) due to declines in CCT's cash balance. Interest coverage deteriorated as well to 4.8x (4Q2016: 5.8x) due to higher interest cost (20% of CCT's borrowings are floating rate). Both metric remain manageable. Currently, CCT only has SGD175mn in convertible bonds (due September 2017) due for 2017. As mentioned previously, the GSCP redevelopment remains a source of uncertainty. Provisional permission for the redevelopment had been obtained (plan is for the development of 1mn sqft office). The details are still pending the outcome of the feasibility study, with CCT still evaluating the funding structure (which also factors asset divestments). As a reminder, CCT would be able to hold up to 25% of its portfolio in development assets, and that the potential divestment of Wilkie Edge and One George Street had previously been reported by the media. We note as well that CCT's sponsor, CapitaLand, had express interest in Asia Square Tower 2. For now, we will hold CCT's Issuer Profile rating at Neutral. (Company, OCBC)

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