

January 19, 2017

Credit Headlines (Page 2 onwards): Citic Envirotech Ltd., Cambridge Industrial Trust

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates rising 1-3bps across all tenors. Flows in SGD Corporates were heavy, with better buying seen in MAPLSP 4.5%'49s, DAHSIN 4.88%'22s, GENSSP 5.13%'49s, better selling seen in MAPLSP 4.5%'49s, STSP 2.72%'21s, and mixed interest seen in ABNANV 4.75%'26s. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 198bps, while the yield on JACI HY Corporates rose 1bps to 6.77%. 10Y UST yield spiked 10bps yesterday to 2.41% after U.S Fed Chair Yellen expressed that she is expected to raise rates "a few times a year" through the end of 2019. In addition, US CPI data showed a fifth monthly advance, bolstering arguments that inflation is taking hold.

New Issues: Republic of Philippines priced a USD2bn 25-year bond at 3.70%, tightening from initial guidance of 3.95%. The expected issue ratings are 'BBB/Baa2/BBB-'. The Export-Import Bank of Korea priced a USD1.5bn 3-tranche debt offering, a USD500mn 3-year piece at CT3+70bps, tightening from initial guidance of CT3+85bps, a USD500mn 5-year piece at CT5+92.5bps, tightening from initial guidance of CT5+110bps, and a USD500mn 5-year piece at 3mL+87.5bps. The expected issue ratings are 'AA/Aa2/AA-'. ANZ New Zealand (Int'l) Ltd. priced a USD1bn 2-tranche debt offering, a USD700mn 5-year piece at CT5+105bps, tightening from initial guidance of CT5+120bps, and a USD300mn 5-year piece at 3mL+100bps. The expected issue ratings are 'AA-/Aa3/AA-'. Yuzhou Properties Co. Ltd. priced a USD350mn 5NC3 bond at 6.10%, tightening from initial guidance of 6.5%. The expected issue ratings are 'NR/B1/BB-'. China Finance 2017 Co. priced a USD1.5bn NC5 perp at 4.70% (guaranteed by China Huarong International Holdings Ltd.) tightening from initial guidance of 4.75%. The expected issue rating is 'NR/Baa1/A-'. United Photovoltaics Group Ltd. priced a USD250mn 3-year bond at 8.25%, tightening from initial guidance of 9.13%. The expected issue rating is 'NR/B1/NR'.

Table 1: Key Financial Indicators

	19-Jan	1W chg (bps)	1M chg (bps)		19-Jan	1W chg	1M chg
iTraxx Asiax IG	117	0	-6	Brent Crude Spot (\$/bbl)	54.35	-2.96%	-1.04%
iTraxx SovX APAC	34	0	-4	Gold Spot (\$/oz)	1,199.93	0.38%	5.42%
iTraxx Japan	56	1	5	CRB	193.36	1.16%	1.12%
iTraxx Australia	98	0	-5	GSCI	395.17	1.58%	0.79%
CDX NA IG	66	0	-2	VIX	12.48	8.62%	6.58%
CDX NA HY	106	0	0	CT10 (bp)	2.424%	6.10	-11.41
iTraxx Eur Main	69	-1	-2	USD Swap Spread 10Y (bp)	-12	0	-3
iTraxx Eur XO	289	-5	-1	USD Swap Spread 30Y (bp)	-48	0	-6
iTraxx Eur Snr Fin	86	-4	-9	TED Spread (bp)	49	-2	-1
iTraxx Sovx WE	21	2	1	US Libor-OIS Spread (bp)	34	-1	0
iTraxx Sovx CEEMEA	80	-1	-4	Euro Libor-OIS Spread (bp)	2	0	-1
					19-Jan	1W chg	1M chg
				AUD/USD	0.751	0.35%	3.66%
				USD/CHF	1.008	0.34%	1.98%
				EUR/USD	1.063	0.18%	2.21%
				USD/SGD	1.429	-0.08%	1.44%
Korea 5Y CDS	48	-1	3	DJIA	19,805	-0.26%	-0.39%
China 5Y CDS	115	0	-5	SPX	2,272	0.13%	0.41%
Malaysia 5Y CDS	132	0	-9	MSCI Asiax	539	0.39%	4.73%
Philippines 5Y CDS	98	-4	-12	HSI	23,016	0.82%	5.42%
Indonesia 5Y CDS	153	0	-9	STI	3,002	0.30%	3.05%
Thailand 5Y CDS	74	-2	-4	KLCI	1,664	-0.82%	1.81%
				JCI	5,303	0.20%	2.14%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
18-Jan-17	Republic of Philippines	"BBB/Baa2/BBB-"	USD2bn	25-year	3.70%
18-Jan-17	The Export-Import Bank of Korea	"AA/Aa2/AA-"	USD500mn	3-year	CT3+70bps
18-Jan-17	The Export-Import Bank of Korea	"AA/Aa2/AA-"	USD500mn	5-year	CT5+92.5bps
18-Jan-17	The Export-Import Bank of Korea	"AA/Aa2/AA-"	USD500mn	5-year	3mL+87.5bps
18-Jan-17	ANZ New Zealand (Int'l) Ltd.	"AA-/Aa3/AA-"	USD700mn	5-year	CT5+105bps
18-Jan-17	ANZ New Zealand (Int'l) Ltd.	"AA-/Aa3/AA-"	USD300mn	5-year	3mL+100bps
18-Jan-17	Yuzhou Properties Co. Ltd.	"NR/B1/BB-"	USD350mn	5NC3	6.10%
18-Jan-17	China Finance 2017 Co.	"NR/Baa1/A-"	USD1.5bn	Perp NC5	4.70%

Source: OCBC, Bloomberg

New Issues (Cont'd): Reward International Investment Ltd. priced a USD200mn 3-year bond (guaranteed by Reward Science and Technology Industry Group Co.) at 7.50%, tightening from initial guidance of high 7% area. The expected issue rating is 'B+/B1/NR'. Asahi Mutual Life Insurance Co. priced a USD350mn NC5 perp at 7.25%, tightening from initial guidance of 7.75%. The expected issue ratings are 'NR/NR/BB-'. Central Plaza Development Ltd. priced a USD400mn 3-year bond (guaranteed by International Financial Center Property Ltd.) at CT3+252.5bps, tightening from initial guidance of CT3+285bps. The expected issue ratings are 'NR/NR/BBB'. Beijing Properties Holdings Ltd. will hold a non-deal investor roadshow from 23 – 24 January for potential USD bond issue.

Table 3: Recent Asian New Issues (Cont'd)

<u>Date</u>	<u>Issuer</u>	<u>Ratings</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
18-Jan-17	United Photovoltaics Group Ltd.	NR/B1/NR"	USD250mn	3-year	8.25%
18-Jan-17	Reward International Investment Ltd.	"B+/B1/NR"	USD200mn	3-year	7.50%
18-Jan-17	Asahi Mutual Life Insurance Co.	"NR/NR/BB-"	USD350mn	Perp NC5	7.25%
18-Jan-17	Central Plaza Development Ltd.	"NR/NR/BBB"	USD400mn	3-year	CT3+252.5bps

Source: OCBC, Bloomberg

Rating Changes:

Moody's changed Sunac China Holdings Limited's outlook to negative from stable for its 'B2' corporate family and 'B3' senior unsecured ratings. In addition, Moody's affirmed the two ratings. The rating action follows Sunac's announcement that it had entered into a sales-and-purchase agreement for a stake in Leshi Group, and Moody's concern that Sunac has increased its business risk because it has no experience in Leshi's business.

Credit Headlines:

Citic Envirotech Ltd ("CEL"): CEL has provided an update in relation to the RMB3.2bn public private partnership project ("PPP") in Shantou City. The project award was first announced on 7 December 2016 and at that point the final deal structure was still under negotiations. Phase 1 of the PPP project has an investment value of RMB2bn and involves the design and build of an industrial wastewater treatment plant, recycling plant, a cogeneration plant and related ancillary assets. A tri-party joint venture company, CITIC Envirotech ("Shantou") Integrated Dyestuff Environmental Development Co., Ltd ("CEL Shantou") has been formed with a total registered capital of RMB600mn. Based on an earlier response to the SGX, CEL has a 51% stake in the joint venture and contributed RMB306mn to total registered capital. The other two shareholders of CEL Shantou are (1) Guangdong Keying Zhiran Environmental Co. Ltd ("Guangdong KZ"), a local government-backed company set up by the Shantou Printing and Dyeing Association (comprising members of the printing and dyeing enterprises) holding a 24% stake and (2) Chaonan District Dyeing Park Management Company ("Chaonan MC"), a local-government owned industrial park manager holding a 25% stake. This joint venture (namely, CEL Shantou), will in turn form a new joint venture company with Zhongsheng Technology (Jiangsu) Co., Ltd ("Zhongsheng", a subsidiary of Singapore-listed Sunpower Group Ltd) and Guangdong KZ. This new joint venture will be incorporated with a registered capital of RMB260mn and undertake the investment, design, build and operation of the cogeneration plant (subset of the PPP project). The total project value of the cogeneration plant is estimated to be ~RMB1.6bn, and Phase 1 of the project (~RMB700mn) is expected to complete by 1H2018. CEL Shantou will hold 10% stake in the new joint venture while Zhongsheng and Guangdong KZ will hold 51% and 39% respectively. CEL's effective stake in the new project is 5.1% (despite its 51% interest in CEL Shantou and corresponding capital contribution). In our view, this reflects CEL's credentials being an integrated water solutions provider (vis-à-vis cogeneration). Dr. Lin, the CEO/founder of CEL is also a substantial shareholder of Sunpower Group Ltd. We continue to hold our issuer profile of CEL at Neutral. (Company, OCBC)

Credit Headlines (cont'd):

Cambridge Industrial Trust (“CREIT”): CREIT has announced that National Australia Bank Limited and Oxley Global Limited (via respective subsidiaries) have completed the sale of their aggregate 80% interest in the REIT’s Manager to e-Shang Infinity Cayman Limited, a subsidiary of e-Shang Redwood Limited (“e-Shang”). e-Shang is a developer, owner and operator of logistics real estate in Asia with presence in China, Japan and South Korea. e-Shang is backed by private equity firm Warburg Pincus. In addition to obtaining 80% in the REIT manager, e-Shang also holds the rights to acquire up to ~10.7% stake in the REIT itself from three existing unitholders. Upon exercise of the option (expected shortly), e-Shang will become the second largest unitholder behind Jinquan Tong who holds a 18.5% stake. While Warburg Pincus is a financial investor, e-Shang (its portfolio company) is likely to influence the strategic direction of CREIT, including possible regional expansion. We are keeping CREIT’s issuer profile at Neutral but may adjust such view if e-Shang’s strategic involvement leads to a marked credit deterioration. (Company, OCBC)

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W