

January 20, 2017

Credit Headlines (Page 2 onwards): Gallant Venture Ltd., ASL Marine Holdings Ltd., Oxley Holdings Ltd., Capitaland Mall Trust.

Market Commentary: The SGD swap curve traded higher across all tenors, with swap rates rising by 3-4bps at the shorter end of the curve and 4-5bps at the middle and longer end of the curve. Flows in SGD corporates were heavy, with better buying seen in GENSSP 5.13%'49s, MAPLSP 4.5%'49s, BAERVX 5.9%'49s, better selling seen in GLPSP 5.5%'49s, MAPLSP 4.5%'49s, and mixed interest seen in OLAMSP 6%'22s. In the broader dollar space, the spread on JACI IG Corporates fell 3bps to 195bps, while the yield on JACI HY Corporates rose 4bps to 6.81%. 10y UST yields rose 4bps yesterday to 2.47%, following Philadelphia Fed Business Outlook index that beat expectations.

New Issues: Huaxing Investment Holding Company Ltd. is planning to issue USD 3-year bonds (guaranteed by Zhuhai Huafa Group Co.). The expected issue ratings are 'NR/NR/BBB'. China Water Affairs Group Ltd. is also proposing to issue USD Senior Notes. PB International B.V. set final guidance for its USD 5NC3 bond (guaranteed by PT Pan Brothers Tbk.) at 7.75%, with the issue size capped at USD200mn. The expected issue ratings are 'NR/B1/B'.

Rating Changes: S&P revised Fufeng Group Ltd.'s 'BB+' corporate credit rating outlook to positive from stable. The rating action reflects S&P's expectations that Fufeng will improve its profitability over the next 12-24 months despite operating in a maturing industry. Moody's upgraded China Guangfa Bank Co. Ltd.'s (CGB) foreign currency deposit ratings to 'Baa3' from 'Ba1'. In addition, Moody's affirmed the bank's baseline credit assessment (BCA) at 'Ba3', upgraded its adjusted BCA to 'Ba1' from 'Ba3', and upgraded its counterparty risk assessment to 'Baa2(cr)' from 'Ba1(cr)', all with stable outlooks. The bank's 'Baa3' rating reflects its standalone BCA of 'Ba3' and three notches uplift due to increasing external support. In particular, Moody's has incorporated two notches of affiliate support and one notch of government support in the bank's long-term deposit rating.

Table 1: Key Financial Indicators

	20-Jan	1W chg (bps)	1M chg (bps)		20-Jan	1W chg	1M chg
iTraxx Asiax IG	116	1	-6	Brent Crude Spot (\$/bbl)	54.38	-1.93%	-1.75%
iTraxx Sovx APAC	35	1	-3	Gold Spot (\$/oz)	1,207.57	0.85%	6.64%
iTraxx Japan	56	1	7	CRB	192.96	0.35%	1.26%
iTraxx Australia	98	0	-5	GSCI	394.96	0.08%	0.67%
CDX NA IG	66	0	0	VIX	12.78	13.50%	11.62%
CDX NA HY	106	0	0	CT10 (bp)	2.457%	6.09	-10.13
iTraxx Eur Main	69	0	-1	USD Swap Spread 10Y (bp)	-11	1	-1
iTraxx Eur XO	286	-2	-1	USD Swap Spread 30Y (bp)	-46	1	-3
iTraxx Eur Snr Fin	86	0	-7	TED Spread (bp)	51	-1	0
iTraxx Sovx WE	21	1	1	US Libor-OIS Spread (bp)	34	0	0
iTraxx Sovx CEEMEA	80	-1	-3	Euro Libor-OIS Spread (bp)	2	0	-1
					20-Jan	1W chg	1M chg
				AUD/USD	0.758	1.05%	4.44%
				USD/CHF	1.005	0.37%	2.40%
				EUR/USD	1.068	0.33%	2.79%
				USD/SGD	1.424	0.29%	1.52%
Korea 5Y CDS	47	1	2	DJIA	19,732	-1.11%	-1.21%
China 5Y CDS	114	1	-6	SPX	2,264	-0.51%	-0.31%
Malaysia 5Y CDS	132	1	-11	MSCI Asiax	538	0.05%	4.82%
Philippines 5Y CDS	100	1	-10	HSI	22,907	-0.13%	5.42%
Indonesia 5Y CDS	152	1	-9	STI	3,008	-0.57%	3.32%
Thailand 5Y CDS	74	-1	-6	KLCI	1,666	-0.39%	1.92%
				JCI	5,299	0.12%	2.64%

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

Rating Changes (Cont'd):

Moody's has upgraded Fortescue Metals Group Ltd's corporate family rating (CFR) to 'Ba1' from 'Ba2'. In addition, Moody's upgraded the senior unsecured and senior secured ratings of FMG Resources (August 2006) Pty Ltd to 'Ba2' and 'Baa3' from 'B1' and 'Ba1' respectively. The rating outlook is stable. The upgrade to Fortescue's ratings reflects 1) the substantial debt reduction the company has undertaken over the last several years and most recently in December 2016; 2) the continued and sustained cost improvements which have created an earnings buffer to lower iron ore prices; 3) limited near term capital expenditures, which supports free cash flow generation; and 4) the reduced refinancing risk and reduction in secured debt. Moody's affirmed Incitec Pivot Ltd.'s 'Baa3' issuer, 'Baa3' senior unsecured debt rating and '(P)Baa3' senior unsecured MTN ratings. In addition, Moody's changed the rating outlook to positive from stable. The change in outlook to positive reflects the completion of the company's ammonia plant in Waggaman, Louisiana (WALA) and the continued execution on its cost improvement initiatives. Moody's affirmed Tokio Marine & Nichido Fire Insurance Co. Ltd.'s (Tokio Marine) 'Aa3' insurance financial strength rating. In addition, Moody has changed the rating outlook to stable from negative. The change in the rating outlook to stable reflects: (1) the company's improved profitability; (2) its improving capital base, after the reduction in its capital due to the acquisition of HCC Insurance Holdings, Inc.; and (3) Tokio Marine's good management of HCC's business including the risk management of HCC's specialty lines business. Fitch affirmed China Development Bank Corporation's (CDB), Agricultural Development Bank of China's (ADBC) and Export-Import Bank of China's (Exim) issuer default rating at 'A+', with stable outlooks. The rating actions are based on an extremely high probability of the central government supporting the banks in a timely manner in the event of stress.

Credit Headlines:

Gallant Venture Ltd. ("GALV"): GALV has announced that it intends to repurchase 20% of its two tranches of bonds due in 2017. (1) SGD30mn (out of SGD150mn outstanding amount) of the GALVSP 5.9% '17s due in May 2017 at 97.5 and (2) SGD15mn out of SGD75mn of the GALVSP 7.0% '17s due in August 2017 at 95. The proposed buyback will commence on 20 January 2017 and is expected to end on 26 January 2017. The company may in its sole and absolute discretion determine which noteholders it will repurchase the notes from and the amount of notes it will repurchase. We are Underweight all three GALV bonds (including the '18s) and maintaining the stance that we would be willing to take a small hit to principal versus uncertainties of outcomes with regards to the re-statement and re-audit. (Company, OCBC)

ASL Marine Holdings Ltd ("ASL"): ASL requested for a trading halt, which is likely due to the bondholder vote that will be held today regarding the consent solicitation. As a recap, we kept our Negative Issuer Profile on ASL and hold the two bonds at Neutral, till we get a better sense of the price action post restructuring. (Company, OCBC)

Oxley Holdings Ltd ("Oxley"): Oxley reported its 2QFY2017 results. Revenue surged 241% y/y to SGD605.7mn due to completion of Oxley Tower, handover of certain plots at Royal Wharf (which has seen healthy sales) and recognition of revenue from Singapore residential projects. As a result, profits increased 104% y/y to SGD160.3mn. Overall, there have been significant improvements in the balance sheet though net gearing remains elevated at 1.8x as of 2QFY2017 (2QFY2016: 3.0x, 1QFY2017: 2.1x). This is due to repayment of debt from cash generated from sale of development properties, and the profits generated which enlarged the equity base to SGD1.08bn (1QFY2017 equity: SGD963mn). We do not cover Oxley. (Company, OCBC)

Credit Headlines (cont'd):

Capitaland Mall Trust (“CMT”): CMT announced its FY2016 results with gross revenue up 3.1% to SGD689.7mn while NPI was up 2.9% to SGD479.7mn. Full year results were generally stable reflecting the full year contribution of Bedok Mall (acquired in 4Q2015) which balanced out the absence of Funan DigitaLife Mall which closed on 01/07/16 for redevelopment. The impact of these initiatives was more clear in the y/y quarterly results performance with 4Q2016 gross revenue down 6.1% to SGD169.3mn while NPI was also down 7.6% to SGD116.2mn. Business metrics have stayed relatively stable evidencing CMT's solid asset portfolio with portfolio occupancy remaining high at 98.5% (FY2015: 97.6% and 3Q2016: 98.6%) and tenant's sales per square foot and shopper traffic increasing 0.9% and 2.3% respectively y/y for FY2016. Despite the challenging retail market, rental reversions in FY2016 were still positive (+1.0%) based on 704 new leases that comprised 20.5% of CMT's total net lettable area with a retention rate of 80.1%. Stronger rental reversion performance was seen in IMM Building (+4.5% based on retail leases) and Plaza Singapura (+3.2%) following AEI as well as in Tampines Mall (+3.4%), Junction 8 (3.7%) and Bugis Junction (+3.4%) and this mitigated the sharp fall in rental rates from Bugis+ (-8.0%) and Westgate (-7.2%). Looking forward, 25.6% of gross rental income per month expires in 2017 (922 leases of which 799 are retail) with 18% of total leases expiring at IMM Building and a further 14% at Plaza Singapura and Bugis Junction. Given rental reversion trends in 2016, we think that this expiry profile could support overall rental reversion performance in FY2017 and mitigate the 133 leases expiring at Westgate in 2017 (14% of total leases expiring in 2017). Owing to CMT's stable operating performance, its financial metrics have also remained stable with aggregate leverage at 34.8% as at 31 December 2016, improved from 35.4% as at 30 September 2016. We will continue to hold CMT's Issuer Profile at Neutral. (Company, OCBC)

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