

Sep 20, 2017

Credit Headlines (Page 2 onwards): United Engineers Ltd/ Yanlord Land Group Ltd / Perennial Real Estate Holdings Ltd

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 3-4bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in SIASP 3.13%'27s, OLAMSP 5.5%-PERPs, better selling seen in UOBSP 3.5%'29s, and mixed interest seen in HSBC 4.7%-PERPs, CTRAIJ 4.85%'21s. In the broader dollar space, the spread on JACI IG Corp traded little changed at 188bps, while the yield on JACI HY Corp rose 1bps to 6.80%. 10Y UST yields rose 2bps to 2.24% as markets lacked directional catalysts while awaiting Wednesday's FOMC meeting.

New Issues: HSBC Institutional Trust Services (Singapore) Ltd, in its capacity as trustee of Mapletree Logistics Trust, has priced a SGD180mn Perp NC5.5 at 3.65%, tightening from initial guidance of 4% area. SP PowerAssets Ltd has priced a USD600mn 10-year bond at CT10+77.5bps, tightening from initial guidance of CT10+95bps. The expected issue ratings are 'AA/NR/NR'. Eastern Creation II Investment Holdings Ltd has priced a USD700mn 3-year bond (guaranteed by Beijing Infrastructure Investment (Hong Kong) Ltd) at CT3+125bps, tightening from initial guidance of CT3+140bps area. The expected issue ratings are 'NR/A1/A+'.

Rating Changes: S&P has downgraded Panda Green Energy Group Ltd's (PGE) corporate credit rating to 'B+' from 'BB-'. Similarly, S&P downgraded the rating on PGE's senior unsecured debt to 'B' from 'B+'. The outlook is stable. The rating action reflects S&P's view that PGE's commitment to develop greenfield hydropower projects is beyond the company's expertise in solar power operations, thereby posing higher execution and financial risk. Moody's has upgraded DBCT Finance Pty Ltd's (DBCT) senior secured ratings to 'Ba1' from 'Ba2'. The outlook is stable. The rating action reflects DBCT's progress in renewing contracts to export coal through Dalrymple Bay Coal Terminal, which improves the visibility of its cash flow.

Table 1: Key Financial Indicators

| | 20-Sep | 1W chg (bps) | 1M chg (bps) | | 20-Sep | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|---------|
| iTraxx Asiax IG | 71 | -3 | -12 | Brent Crude Spot (\$/bbl) | 55.36 | 0.36% | 5.01% |
| iTraxx SovX APAC | 18 | 0 | -3 | Gold Spot (\$/oz) | 1,311.39 | -0.83% | 1.51% |
| iTraxx Japan | 41 | -1 | -3 | CRB | 182.58 | 0.64% | 2.86% |
| iTraxx Australia | 64 | -3 | -14 | GSCI | 393.50 | 1.25% | 3.37% |
| CDX NA IG | 55 | -1 | -7 | VIX | 10.18 | -3.78% | -28.61% |
| CDX NA HY | 107 | 0 | 1 | CT10 (bp) | 2.232% | 4.39 | 3.83 |
| iTraxx Eur Main | 50 | -2 | -9 | USD Swap Spread 10Y (bp) | -4 | 0 | 2 |
| iTraxx Eur XO | 220 | -7 | -31 | USD Swap Spread 30Y (bp) | -34 | 1 | 1 |
| iTraxx Eur Snr Fin | 46 | -3 | -9 | TED Spread (bp) | 29 | 0 | -2 |
| iTraxx Sovx WE | 5 | 0 | -1 | US Libor-OIS Spread (bp) | 15 | -1 | 0 |
| iTraxx Sovx CEEMEA | 42 | -1 | -5 | Euro Libor-OIS Spread (bp) | 3 | 0 | 0 |
| | | | | | | | |
| | | | | | 20-Sep | 1W chg | 1M chg |
| | | | | AUD/USD | 0.800 | 0.21% | 0.81% |
| | | | | USD/CHF | 0.963 | 0.15% | -0.08% |
| | | | | EUR/USD | 1.199 | 0.91% | 1.51% |
| | | | | USD/SGD | 1.347 | 0.29% | 1.04% |
| | | | | | | | |
| Korea 5Y CDS | 65 | -2 | 0 | DJIA | 22,371 | 1.14% | 3.21% |
| China 5Y CDS | 53 | -4 | -13 | SPX | 2,507 | 0.41% | 3.34% |
| Malaysia 5Y CDS | 62 | -4 | -17 | MSCI Asiax | 678 | 1.13% | 4.67% |
| Philippines 5Y CDS | 56 | -3 | -12 | HSI | 28,051 | 0.28% | 3.71% |
| Indonesia 5Y CDS | 91 | -5 | -20 | STI | 3,226 | -0.30% | -0.80% |
| Thailand 5Y CDS | 47 | -3 | -12 | KLCI | 1,777 | -0.74% | 0.02% |
| | | | | JCI | 5,901 | 0.49% | 0.13% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|-----------|-------------------------------------------------------------------------------|--------------|----------|------------|----------------|
| 19-Sep-17 | HSBC Institutional Trust Services (Singapore) Ltd (Mapletree Logistics Trust) | Not Rated | SGD180mn | Perp NC5.5 | 3.65% |
| 19-Sep-17 | SP PowerAssets Ltd | 'AA/NR/NR' | USD600mn | 10-year | CT10+77.5bps |
| 19-Sep-17 | Eastern Creation II Investment Holdings Ltd | 'NR/A1/A+' | USD700mn | 3-year | CT3+125bps |
| 18-Sep-17 | Hyundai Capital America | Not Rated | USD300mn | 3-year | CT3+122bps |
| 18-Sep-17 | Hyundai Capital America | Not Rated | USD250mn | 3-year | 3mL+100bps |
| 18-Sep-17 | Hyundai Capital America | Not Rated | USD450mn | 5-year | CT5+142bps |
| 18-Sep-17 | Kookmin Bank | 'A+/A1/NR' | USD500mn | 5.5-year | CT5.5+115bps |
| 18-Sep-17 | KWG Property Holding Ltd | 'NR/NR/BB-' | USD250mn | 5NC3 | 5.2% |
| 18-Sep-17 | Mirvac Group Finance Ltd | 'BBB+/A3/NR' | USD400mn | 9.5-year | CT9.5+147.5bps |
| 15-Sep-17 | Tianjin Lingang Investment Holding Co Ltd | Not Rated | USD360mn | 360-day | 4.5% |

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Fitch has affirmed Jubilant Pharma Limited's (JPL) Issuer Default Rating at 'BB-'. At the same time, the Fitch has affirmed JPL's senior unsecured rating at 'BB'. The outlook is stable. The rating action reflects JPL's moderate linkage with its parent, Jubilant Life Sciences Limited, which has a lower credit profile, as well as JPL's new launch pipeline which alleviates ongoing pricing pressure in the US generic pharmaceuticals market. The bond is rated above the IDR as bondholders have direct recourse to JPL's cash flow and assets, and the bond's indenture restricts the amount of prior-ranking debt JPL can take on.

Credit Headlines:

United Engineers Ltd ("UE") / Yanlord Land Group Ltd ("YLG") / Perennial Real Estate Holdings Ltd ("PREH"): YLG, PREH and related parties ("YLG-led consortium") announced that the mandatory cash offer for the shares in UE has not become unconditional and has therefore lapsed, as the valid acceptances of the offer was only 1.36%. As such, after returning the shares to the shareholders who have accepted the share offer, YLG-led consortium would hold a stake of about 33.44% in UE. We do not currently cover UE and YLG. (Company)

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