

March 22, 2017

Credit Headlines (Page 2 onwards): Ezra Holdings Ltd., Henderson Land Development Co Ltd.

Market Commentary: The SGD swap curve was relatively flattish yesterday, with shorter and medium term tenors trading 1bps lower while longer tenors (20-years and 30-years) traded 2bps higher. Flows in SGD corporates were heavy, with better buying seen in UOBSP 3.5%'29s, UOBSP 3.5%'26s, ABNANV 4.75%'26s, and mixed interests in FCLSP 4.15%'27s, SCISP 4.75%'49s, SINTEC 4.05%'25s, GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 193bps while the yield on JACI HY corporates fell 1bps to 6.69%. 10y UST yields fell 5bps yesterday to 2.41%, as U.S equities were on pace for the biggest decline of 2017, spurring a flight to safe haven assets. The S&P 500 index fell more than 1% for the first time since 11 October 2016.

New Issues: Shinhan Bank priced a USD500mn 5-year note at CT5+100bps, tightening from initial guidance at CT5+120bps. The expected issue ratings are 'A+/Aa3/NR'. ING Groep N.V. priced a USD4bn 3-tranche deal; with the USD1.5bn 5-year piece at CT5+125bps, tightening from initial guidance between CT5+145 to CT5+150bps; the USD1bn 5-year piece at 3mL+115bps; and the 10-year USD1.5bn piece at CT10+155bps, tightening from initial guidance between CT10+175bps to CT10+180bps. The expected issue ratings are 'A-/Baa1/A+'. Property developer Emperor International Holdings Ltd. scheduled investor roadshows from 22 March for a potential USD and HKD bond issuance. Private bank EFG International AG scheduled investor roadshows for potential USD and/or SGD 10NC5 Tier 2 bond issuance. State-owned and diversified investing company Shanghai Lingang Economic Development Group is planning for potential USD bond issuance.

Table 1: Key Financial Indicators

	22-Mar	1W chg (bps)	1M chg (bps)		22-Mar	1W chg	1M chg
iTraxx Asiax IG	96	5	1	Brent Crude Spot (\$/bbl)	50.94	-1.68%	-8.78%
iTraxx Sovx APAC	21	-7	-5	Gold Spot (\$/oz)	1,244.63	2.03%	0.58%
iTraxx Japan	45	-7	-7	CRB	184.29	1.19%	-3.63%
iTraxx Australia	90	7	6	GSCI	379.41	0.58%	-5.52%
CDX NA IG	69	7	7	VIX	12.47	1.38%	6.22%
CDX NA HY	107	0	-1	CT10 (bp)	2.414%	-7.91	0.10
iTraxx Eur Main	76	4	2	USD Swap Spread 10Y (bp)	-4	-1	-1
iTraxx Eur XO	295	11	0	USD Swap Spread 30Y (bp)	-39	-1	-3
iTraxx Eur Snr Fin	91	3	-3	TED Spread (bp)	41	5	-12
iTraxx Sovx WE	13	-1	-10	US Libor-OIS Spread (bp)	24	0	-9
iTraxx Sovx CEEMEA	46	-18	-21	Euro Libor-OIS Spread (bp)	2	0	0
					22-Mar	1W chg	1M chg
				AUD/USD	0.766	-0.67%	-0.60%
				USD/CHF	0.994	0.58%	1.60%
				EUR/USD	1.080	0.58%	2.25%
				USD/SGD	1.403	-0.11%	0.71%
Korea 5Y CDS	49	4	5	DJIA	20,668	-0.81%	-0.52%
China 5Y CDS	86	1	-6	SPX	2,344	-0.91%	-0.80%
Malaysia 5Y CDS	106	-1	0	MSCI Asiax	588	3.10%	3.32%
Philippines 5Y CDS	84	2	2	HSI	24,336	2.28%	0.56%
Indonesia 5Y CDS	130	2	3	STI	3,124	-0.42%	0.07%
Thailand 5Y CDS	57	3	1	KLCI	1,742	1.44%	1.99%
				JCI	5,543	2.05%	3.44%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
21-Mar-17	Shinhan Bank	"A+/Aa3/NR"	USD500mn	5-year	CT5+120bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.5bn	5-year	CT5+100bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.0bn	5-year	3mL+115bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.5bn	10-year	CT10+155bps
20-Mar-17	Golden Legacy Pte. Ltd.	Not Rated	USD150mn	7NC4	7.00%
20-Mar-17	Rock International Investment Inc.	"B+/NR/B"	USD300mn	3-year	6.875%
20-Mar-17	Korea National Oil Corporation	"AA/Aa2/AA-"	USD500mn	3-year	3mL+60bps
20-Mar-17	Korea National Oil Corporation	"AA/Aa2/AA-"	USD500mn	5-year	CT5+115bps
20-Mar-17	Korea National Oil Corporation	"AA/Aa2/AA-"	USD500mn	10-year	CT10+92.5bps

Source: OCBC, Bloomberg

Rating Changes: Moody's affirmed Westfield Corporation's (Westfield) 'A3' issuer rating and co-borrower Westfield UK & Europe plc's 'A3' senior unsecured debt ratings. In addition, Moody's revised Westfield's ratings outlook to negative from stable. The rating action reflects Westfield's large development pipeline relative to its asset base and high net debt to EBITDA for the existing rating category. Fitch placed Yingde Gases Group Company Limited's 'B+' Issuer Default Rating (IDR) and senior unsecured rating on Rating Watch Negative. The rating action is mainly due to the uncertainties from its potential acquisition by private equity firm, PAG Asia. According to Fitch, "The potential acquisition may also trigger the change of control (CoC) clause in Yingde's offshore bond documentation, which may mean the company must refinance its offshore debt as well."

Credit Headlines:

Ezra Holdings Ltd ("EZRA"): Triyards Holdings Ltd ("Triorads"), the shipyard subsidiary of EZRA, has disclosed the impact of EZRA's Chapter 11 bankruptcy filing (refer [OCBC Asian Credit Daily - 20 Mar 2017](#)) on itself. Specifically, as of end-November 2016, Triyards had intercompany receivables and payables from EZRA and EMAS Chiyoda totalling USD1.4mn and USD1.6mn respectively. In addition, Triyards had a bank facility which was jointly guaranteed by Triyards and EZRA, in which Triyards was liable for up to USD30mn (USD29.7mn currently drawn). Finally, Triyards had a bank facility with an outstanding borrowing of USD8.5mn, which could be accelerated due to EZRA's default. (Company)

Henderson Land Development Co Ltd ("HLD"): HLD reported FY16 results. Revenue rose 8% y/y to HKD25.6bn, driven by stronger sales in property development (+13% y/y to HKD17.7bn), though profits from development declined 6% y/y to HKD3.8bn. The higher property development revenue was mainly helped by recognition of revenue from Mainland China (+115% y/y to HKD7.7bn) with sold and delivered units in Changsha, Nanjing, Xuzhou, Suzhou, Yixing and Anshan. However, profits were lower due to lower revenue recognised from Hong Kong (-18% to HKD10bn) which commands higher margins. For property sales in FY16, the segment in Hong Kong reported a 29.8% y/y increase to HKD14.9bn, though this was contributed mainly by non-residential disposals which totalled HKD4.8bn. In Mainland China, HLD continues to perform well with contracted sales of HKD8.5bn (FY15: HKD7.3bn). For HLD's investment properties which spans 8.8mn sq ft in area (comprising mainly retail and office), rental income inched down by 1% to HKD5.6bn. Including subsidiaries, associates and JVs, the attributable rental income rose 2% y/y to HKD6.5bn (largest contributor is the 40.77% stake in The International Finance Centre project located in the Central which contributed HKD1.9bn). Meanwhile, the utility and energy segment contributed HKD3.6bn in profits (HKD2.7bn due to its associate The Hong Kong and China Gas Co Ltd). Going forward, HLD still holds a very sizeable landbank with 2.0mn sq ft in area of projects pending sale in 2017 and another 12.4mn sq ft of projects in the Urban areas and New Territories, which should help support future sales. Meanwhile, Hong Kong property prices continue to hold up even with the increase in the ad valorem stamp duty on residential property transactions for non first-time buyers to 15%, though property transactions may slow. Separately, we note that The Australian on 9 March 2017 reported that an expert on investment in Australian property commented that 80% of Chinese buyers cannot settle on apartments bought off the plan in Australia, likely due to capital controls, and we note that the Chinese buyers have been dominant in the Hong Kong market. However, as yet we are not overly concerned on the impact on HLD. We have yet to see indications of settlement risk concerning Chinese buyers in Hong Kong, though in any case we think that HLD is well-positioned to ride any downturn with a healthy net gearing of 0.12x (1H16: 0.14x) and recurring income from investment properties and utility and energy. As such, we continue to hold HLD at a Neutral Issuer Profile. (Company, The Australian, OCBC)

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Co.Reg.no.:193200032W