

October 23, 2017

Credit Headlines (Page 2 onwards): Capitaland Mall Trust, Ascendas Real Estate Industrial Trust, Mapletree Greater China Commercial Trust, Ezion Holdings Ltd

Market Commentary: The SGD swap curve shifted upwards last Friday, with swap rates trading 4-7bps higher across most tenors. Flows in SGD corporates were heavy, with better buying seen in KOHSP 5.1%'22s, CAPLSP 3.08%'27s, CELSP 3.9%'PERPs, and mixed interest seen in CTRAIJ 4.85%'21s. In the broader dollar space, the spread on JACI IG Corp tightened 2bps to 178bps, while the yield on JACI HY Corp rose 2bps to 6.82%. 10Y UST yields rose 7bps to 2.38%, after the US Senate adopted a fiscal 2018 budget resolution, which would allow Republicans to tax code rewrites without Democratic support, thereby smoothing the process of tax cuts.

New Issues: Bank of Jinzhou Co Ltd has priced a USD1,496mn Perp NC5 AT1 at 5.5%, tightening from initial guidance of 5.7% area. Koh Brothers Group Ltd has priced a SGD70mn 5-year bond at 5.1% on 19 Oct 2017. The People's Republic of China has scheduled investor meetings for potential USD bond issuance from 25 Oct.

Rating Changes: Moody's has affirmed ESR-REIT's 'Baa3' issuer rating, and the 'Baa3' senior unsecured rating on its debt issuance program and senior unsecured notes drawn down from the program. The outlook has been revised to negative from stable. The rating action reflects Moody's expectation that ESR-REIT's credit profile will weaken following the announcement of its debt-funded purchase of 8 Tuas South Lane. S&P has affirmed Groupe BPCE's (BPCE) 'A' long-term issuer credit rating, as well as all ratings on its subordinated debts, senior non-preferred notes and hybrid capital instruments. At the same time, S&P has affirmed Natixis Australia Pty Ltd's (Natixis) 'A' long-term issuer ratings. The outlook on BPCE and Natixis has been revised to positive from stable. The rating action reflects BPCE's improvement in capital and loss-absorbing capital buffers, and that further improvements could result in upgrades to its ratings.

Table 1: Key Financial Indicators

	23-Oct	1W chg (bps)	1M chg (bps)		23-Oct	1W chg	1M chg
iTraxx Asiax IG	74	-3	-6	Brent Crude Spot (\$/bbl)	57.91	0.16%	1.85%
iTraxx SovX APAC	16	-1	-1	Gold Spot (\$/oz)	1,276.21	-1.51%	-2.64%
iTraxx Japan	49	-1	3	CRB	184.12	-0.39%	0.30%
iTraxx Australia	66	-2	-7	GSCI	402.38	-0.56%	1.09%
CDX NA IG	52	-2	-7	VIX	9.97	3.75%	3.96%
CDX NA HY	109	0	2	CT10 (bp)	2.383%	7.93	13.28
iTraxx Eur Main	55	-1	-4	USD Swap Spread 10Y (bp)	-3	0	1
iTraxx Eur XO	242	-1	-16	USD Swap Spread 30Y (bp)	-30	1	1
iTraxx Eur Snr Fin	59	--	-1	TED Spread (bp)	26	-2	-4
iTraxx Sovx WE	5	0	0	US Libor-OIS Spread (bp)	11	-1	-3
iTraxx Sovx CEEMEA	40	1	-3	Euro Libor-OIS Spread (bp)	3	0	0
					23-Oct	1W chg	1M chg
				AUD/USD	0.782	-0.38%	-1.46%
				USD/CHF	0.984	-0.88%	-1.80%
				EUR/USD	1.177	-0.23%	-0.67%
				USD/SGD	1.362	-0.77%	-0.82%
Korea 5Y CDS	69	-1	-5	DJIA	23,329	2.00%	4.38%
China 5Y CDS	53	-4	-10	SPX	2,575	0.86%	2.92%
Malaysia 5Y CDS	63	-2	-8	MSCI Asiax	688	-0.77%	2.36%
Philippines 5Y CDS	62	-2	-3	HSI	28,331	-1.26%	1.62%
Indonesia 5Y CDS	95	-4	-10	STI	3,349	0.89%	3.98%
Thailand 5Y CDS	46	-2	-4	KLCI	1,744	-0.64%	-1.53%
				JCI	5,960	0.17%	0.81%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Oct-17	Bank of Jinzhou Co Ltd	Not Rated	USD1,496mn	Perp NC5	5.7%
19-Oct-17	Koh Brothers Group Ltd	Not Rated	SGD70mn	5-year	5.1%
19-Oct-17	China Merchants Bank Co	'BB-/NR/NR'	USD1bn	Perp NC5	4.4%
19-Oct-17	Jiangsu Nantong Sanjian International Co	'NR/B2/NR'	USD300mn	3-year	7.8%
19-Oct-17	Zhongrong International Resources Co	'BB-/NR/BB'	USD500mn	3-year	7.25%
19-Oct-17	Kia Motors Corp	'A-/Baa1/NR'	USD600mn	5.5-year	CT5.5+120bps
19-Oct-17	Kia Motors Corp	'A-/Baa1/NR'	USD300mn	10-year	CT10+125bps
19-Oct-17	Central Nippon Expressway Company Ltd	'NR/A1/NR'	USD425mn	4-year	MS+56bps
19-Oct-17	Central Nippon Expressway Company Ltd	'NR/A1/NR'	USD375mn	4-year	3mL+56bps
19-Oct-17	GMR Hyderabad International Airport Ltd	'BB+/NR/BB'	USD350mn	10-year	4.25%

Source: OCBC, Bloomberg

Credit Headlines:

Capitaland Mall Trust (“CMT”): CMT announced its 3Q2017 results with gross revenue down 0.7% to SGD156.3mn while NPI was up 1.6% to SGD121.4mn. Revenue was impacted by weaker performance at Bedok Mall, Junction 8 and Plaza Singapura. NPI benefited from lower property tax (-9.3% y/y). Portfolio statistics were mixed. Though portfolio occupancy improved q/q to 99.0% (2Q2017: 98.6%), property rental reversion remains -1.7% YTD with CMT likely to concede on rental in exchange for securing tenants. Specifically, we note that rental reversion at Bedok Mall (-6.0%) and Westgate (-10.5%) remained negative, likely due to competition from Bedok Point and JEM respectively. Tenant’s sales per square foot was flat YTD, while shopper traffic was up 0.2%. Aggregate leverage remained stable at 34.7%, as though total borrowings increased slightly q/q, this was offset by gains realized from CMT’s divestment of the serviced residence component of the Funan redevelopment to Ascott-QIA JV (done in August 2017). CMT does have sizable maturity due in 2018 of SGD605.2mn, of which the bulk is the USD400mn bond due in March 2018. We believe that CMT would be able to refinance this given its relatively low leverage versus peers as well as totally unencumbered assets. Reported interest coverage remained unchanged at 4.8x. Looking forward, it would seem that the overall trend of rental pressure will remain in the near-term, though we expect the impact on CMT’s property valuation come year-end to be modest given the property transactions that have occurred in the retail space. We will continue to hold CMT’s Issuer Profile at Neutral (Company, OCBC)

Ascendas Real Estate Industrial Trust (“AREIT”): Mr Chia Nam Toon has resigned as CEO of Ascendas Funds Management (S) Limited (“AREITM”), the manager of AREIT. Mr Chia has also resigned as Director of AREITM and its related entities for personal reasons and his last day of service will be on 19 November 2017. Prior to AREIT, Mr Chia was Group CFO for Ascendas-Singbridge Pte Ltd, the Sponsor of AREIT. The Board has yet to name a successor CEO though this would be announced in due course. The Board has nominated with immediate effect, Mr Manohar Khiatani, a non-executive Director on the Board of AREITM and Deputy Group CEO of the Sponsor as the Board’s representative to work with the AREITM management team in carrying out the business and operations of AREITM. During Mr Chia’s 1.6 year tenure with AREIT, AREIT has divested all of its assets in China and deepened AREIT’s presence into Australia (versus entering Germany). It remains to be seen if we would see a change in geographical strategy at AREIT following the pending leadership change. We maintain AREIT’s issuer profile at Neutral. (Company, OCBC)

Mapletree Greater China Commercial Trust (“MAGIC”): MAGIC reported 2QFY2018 results for the quarter ending 30 Sep. Overall, the results were decent, with revenue increasing 6.0% y/y to SGD88.1mn while Net Property Income (“NPI”) increased 5.7% y/y to SGD70.9mn. This is due to stronger rental reversions at Festival Walk (+11%), Gateway Plaza (+10%) and Sandhill Plaza (10%) and the rebound from lower revenue base at Gateway Plaza in 2QFY2017 (due to uncertainty in the applicable VAT rate back then). The downturn in Hong Kong retail appears to be behind us, with 2.9% y/y growth in tenant sales to HKD1.2bn though footfall was flattish at 10.4mn due to two typhoons. This is in-line with retail sales in Hong Kong (+0.3% y/y) due to improving inbound tourism and firm local consumption. Meanwhile, occupancy remains resilient at Festival Walk (100%) and Sandhill Plaza (100%), though occupancy softened somewhat at Gateway Plaza (95.8%). We think that the portfolio remains stable as MAGIC’s management expects renewal rental rates of expiring leases in FY2018 to continue growing at all its properties. Expiring leases look manageable with 16% (out of 22.7%) of 2HFY2018 expiring leases renewed. Meanwhile, aggregate leverage improved to 38.5% (1QFY2018: 39.4%) due to the strengthening of CNY against HKD while MAGIC holds debt predominantly in HKD. Reported interest cover improved slightly to 3.9x (1QFY2018: 3.8x). We continue to hold MAGIC at a Neutral Issuer Profile. (Company, OCBC)

Ezion Holdings Ltd (“Ezion”): Ezion has kick started its consent solicitation with regards to the restructuring of its bonds. We will respond with an update after reviewing the terms. (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