

Sep 26, 2017

Credit Headlines (Page 2 onwards): Ezion Holdings Ltd, Ascendas Real Estate Investment Trust

Market Commentary: The SGD swap curve traded mostly downwards yesterday, with swap rates trading 1-3bps lower across most tenors. However, the 30-year tenor rose by 1bps. Flows in SGD corporates were heavy, with better buying seen in OLAM 5.5%-PERPs, better selling seen in HSBC 4.7%-PERPs, and mixed interest seen in SIASP 3.13%'27s, UOBSP 3.5%'29s. In the broader dollar space, the spread on JACI IG Corp traded little changed at 185bps, while the yield on JACI HY Corp fell 1bps to 6.78%. 10Y UST yields fell 3bps to 2.22% as tensions with North Korea continued to mount.

New Issues: Nan Fung Treasury Ltd has priced a USD410mn 10-year bond (guaranteed by Nan Fung International Holdings Ltd) at CT10+175bps, tightening from initial guidance of CT10+190bps area. The expected issue ratings are 'BBB-/NR/BBB'. Yuzhou Properties Co Ltd has priced a USD300mn Perp NC5 at 5.375%, tightening from initial guidance of 5.75% area. The expected issue ratings are 'NR/B1/NR'. Voyage Bonds Ltd has priced a USD400mn 5-year bond (guaranteed by Shougang Group Co Ltd) at CT5+162.5bps, tightening from initial guidance of CT5+195bps area. The expected issue ratings are 'NR/NR/A-'. Hanjin International Corp has priced a USD300mn 3-year bond (guaranteed by The Export-Import Bank of Korea) at 3mL+95bps. The expected issue ratings are 'NR/Aa2/NR'. Nissan Motor Acceptance Corp has priced a four-tranche deal, with the USD550mn 3-year fixed rate note priced at CT3+62bps, tightening from initial guidance of CT3+80bps; the USD300mn 3-year floating rate note priced at 3mL+39bps, with the initial guidance at Libor equivalent; the USD700mn 5-year fixed rate note priced at CT5+77bps, tightening from initial guidance of CT5+95bps; and the USD450mn 5-year fixed rate note priced at 3mL+69bps, with the initial guidance at Libor equivalent. The Industrial and Commerce Bank of China Ltd, Luxembourg branch has scheduled investor meetings for potential bond issuance from 26 Sep. The expected issue ratings are 'NR/A1/NR'.

Table 1: Key Financial Indicators

	26-Sep	1W chg (bps)	1M chg (bps)		26-Sep	1W chg	1M chg
iTraxx Asiax IG	82	11	5	Brent Crude Spot (\$/bbl)	59.14	7.25%	12.84%
iTraxx SovX APAC	16	-2	-2	Gold Spot (\$/oz)	1,309.57	-0.12%	-0.04%
iTraxx Japan	46	5	4	CRB	184.61	0.48%	3.81%
iTraxx Australia	73	9	1	GSCI	404.25	2.36%	6.65%
CDX NA IG	60	5	0	VIX	10.21	0.59%	-9.49%
CDX NA HY	107	0	0	CT10 (bp)	2.220%	-2.48	5.39
iTraxx Eur Main	58	9	3	USD Swap Spread 10Y (bp)	-4	-1	2
iTraxx Eur XO	258	39	17	USD Swap Spread 30Y (bp)	-32	2	4
iTraxx Eur Snnr Fin	60	14	5	TED Spread (bp)	28	-1	-3
iTraxx Sovx WE	5	0	-1	US Libor-OIS Spread (bp)	15	-1	-1
iTraxx Sovx CEEMEA	43	1	-2	Euro Libor-OIS Spread (bp)	3	0	0
					26-Sep	1W chg	1M chg
				AUD/USD	0.794	-0.94%	-0.35%
				USD/CHF	0.966	-0.34%	-1.11%
				EUR/USD	1.186	-1.16%	-1.04%
				USD/SGD	1.351	-0.30%	0.17%
Korea 5Y CDS	74	9	16	DJIA	22,296	-0.16%	2.21%
China 5Y CDS	62	10	5	SPX	2,497	-0.29%	2.19%
Malaysia 5Y CDS	70	8	-2	MSCI Asiax	663	-2.18%	0.41%
Philippines 5Y CDS	66	9	3	HSI	27,309	-2.65%	-1.94%
Indonesia 5Y CDS	104	13	1	STI	3,208	-0.56%	-1.58%
Thailand 5Y CDS	51	4	-3	KLCI	1,767	-0.91%	-0.10%
				JCI	5,895	0.38%	-0.35%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
25-Sep-17	Nan Fung Treasury Ltd	'BBB-/NR/BBB'	USD410mn	10-year	CT10+175bps
25-Sep-17	Yuzhou Properties Co Ltd	'NR/B1/NR'	USD300mn	Perp NC5	5.375%
25-Sep-17	Voyage Bonds Ltd	'NR/NR/A-'	USD400mn	5-year	CT5+162.5bps
25-Sep-17	Hanjin International Corp	'NR/Aa2/NR'	USD300mn	3-year	3mL+95bps
25-Sep-17	Nissan Motor Acceptance Corp	Not Rated	USD550mn	3-year	CT3+62bps
25-Sep-17	Nissan Motor Acceptance Corp	Not Rated	USD300mn	3-year	3mL+39bps
25-Sep-17	Nissan Motor Acceptance Corp	Not Rated	USD700mn	5-year	CT5+77bps
25-Sep-17	Nissan Motor Acceptance Corp	Not Rated	USD450mn	5-year	3mL+69bps
22-Sep-17	Tianjin Real Estate Group Co Ltd	Not Rated	USD100mn	3-year	4.50%
21-Sep-17	Postal Savings Bank of China Co	'NR/Ba3/NR'	USD7.25bn	Perp NC5	4.50%

Source: OCBC, Bloomberg

Rating Changes: Fitch has assigned Ascott Residence Trust (ART) an Issuer Default Rating (IDR) of 'BBB'. The outlook is stable. Fitch has also assigned a senior unsecured rating of 'BBB' to ART. The rating action reflects ART's strong business risk profile, which is underpinned by its globally diversified portfolio of serviced residence properties. However, the ratings are constrained by ART's smaller property portfolio compared with higher-rated peers. Moody's has downgraded CapitaLand Commercial Trust's (CCT) issuer rating and senior unsecured rating to 'Baa2' from 'A3'. The outlook has been changed to stable from negative. The rating action reflects CCT's weakened financial profile following the acquisition of Asia Square Tower 2. Moody's has affirmed Frasers Commercial Trust's (FCOT) 'Baa2' issuer and senior unsecured debt ratings, while changing the outlook on all ratings to negative from stable. The rating action reflects the likely weakening of FCOT's financial profile following the announcement that Hewlett Packard Enterprise Singapore Pte Ltd (HPES) intends to vacate over 90% of the space it currently leases from FCOT. S&P has downgraded Chubb Insurance Co Ltd's (CICC) counterparty credit rating to 'A+' from 'AA-'. The outlook is stable. The rating action follows the downgrade of China's sovereign credit rating. Moody's has affirmed China Minmetals Corporation's (China Minmetals) 'Baa1' issuer rating and ratings on its bonds. The outlook has been changed to stable from negative. The rating action reflects China Minmetal's improved leverage due to the ramp-up of operations at its Las Bambas copper mine and the recovering performance of its metals and mining business. Moody's has assigned Jiayuan International Group Limited (Jiayuan) a corporate family rating of 'B2'. The outlook is stable. The rating action reflects Jiayuan's established track record in its core markets of Nanjing, Yangzhou and Taixing, its low cost land bank, and focus on mass-market housing, as well as management's demonstrated abilities in identifying quality land. Moody's has upgraded the issuer ratings of China Metallurgical Group Corporation (CMGC) and its key subsidiary, Metallurgical Corporation of China Ltd (MCC) to 'Baa1' from 'Baa2'. The outlook is stable. The rating action reflects Moody's expectation that CMGC's robust order backlog, cost control measures and deleveraging efforts would translate into steady revenue growth, improved earnings and reduced debt levels. Moody's has placed Indika Energy Tbk's (PT) (Indika) 'B2' corporate family ratings and ratings on its senior secured notes on review for upgrade. The rating action follows Indika's proposed acquisition of Kideco, which Moody's views as credit positive as Indika will gain control over the third largest coal mining asset in Indonesia which has a long reserve life.

Credit Headlines:

Ezion Holdings Limited ("EZI"): EZI's board of directors have announced that though they have received a request for its SGD120mn EZISP'20 bonds to be redeemed due to the cessation of trading of EZI's shares, they have opined that the conditions for the cessation event have not been met as EZI's shares have only been suspended from trading, rather than ceased to be listed or traded. The potential next steps, should the requesting bondholder wish, would be to bring the matter to court and obtain a judgement. (Company)

Ascendas Real Estate Investment Trust ("AREIT"): AREIT announced the acquisition of 100 Wickham St in Queensland, Australia for AUD83.8mn. Located on the fringe of the city, the office building is fully occupied with key tenants including the State of Queensland's department of health as well as three data centre operators. With annual rental escalations and a weighted average lease expiry (WALE) of 4.8 years, AREIT is expecting the NPI yield above 7.0% on either a pre and post transaction cost basis. Given the relatively small size of the asset relative to AREIT's total asset base (SGD10.2bn as at 30 June 2017), AREIT's portfolio pro forma WALE is expected to remain at 4.3 years. Although small in scale, the transaction is consistent with AREITs focused expansion plans, particularly in Australia with the recent appointment of a CEO for its Australia business. AREIT has stated that the transaction will be funded by internal resources and existing debt facilities. We maintain AREIT's issuer profile at Neutral. (Company, OCBC)

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