

November 29, 2017

Credit Headlines (Page 2 Onwards): CIMB Group Holdings Berhad, CapitaLand Ltd

Market Commentary: The SGD swap curve flattened yesterday, as the 1-year to 3-year tenors traded 1-2bps higher, while the 7-year to 30-year tenors traded 1-2bps lower. The 5-year tenor traded little changed. Flows in SGD corporates were heavy, with better buying seen in EREIT 4.6%-PERPs, CAPLSP 3.08%'27s, and better selling seen in NOLSP 4.65%'20s. In the broader dollar space, the spread on JACI IG Corp rose 2bps to 181bps, while the yield on JACI HY Corp rose 2bps to 6.95%. 10Y UST yields traded little changed at 2.33%, as gains in yields after the senate advanced the GOP tax bill was erased by a soft 7-year report and the launch of an ICBM missile by North Korea.

New Issues: Fortune Star (BVI) Ltd has priced a USD300mn 3-year bond (guaranteed by Fosun International Ltd) at 5.375%, tightening from initial guidance of 5.5%. The expected issue ratings are 'BB/NR/NR'. Huarong Universe Investment Holding Ltd has priced a EUR300mn 5-year bond (guaranteed by Huarong Real Estate Co) at MS+150bps, tightening from initial guidance of MS+170bps area. The expected issue ratings are 'NR/NR/A'. Anton Oilfield Services Group has priced a USD300mn 3-year bond at 99.366%, to yield approximately 10%. The expected issue ratings are 'NR/Caa1/CCC-'. Power Finance Corporation Ltd has priced a USD400mn 10-year bond at CT10+157.5bps, tightening from initial guidance of CT10+180bps area. The expected issue ratings are 'BBB-/NR/BBB-'.

Rating Changes: S&P has upgraded CITIC Securities Co Ltd (CITICS) and CITIC Securities International Co Ltd's (CSI) long-term issuer credit ratings to 'BBB+' from 'BBB'. The outlook on both companies are stable. At the same time, S&P has upgraded the rating on the senior unsecured debt that CITICS guarantees to 'BBB+' from 'BBB', while affirming the 'A' issue rating on CITICS bonds that are supported by the Bank of China Ltd's standby letter of credit. The rating action reflects S&P's view that CITICS's principal risk management in strong, and that it has fully resolved governance issues experienced in the wake of China's market turmoil in 2015.

Table 1: Key Financial Indicators

	29-Nov	1W chg (bps)	1M chg (bps)		29-Nov	1W chg	1M chg
iTraxx Asiax IG	72	-4	-3	Brent Crude Spot (\$/bbl)	63.24	-0.13%	4.63%
iTraxx SovX APAC	14	-2	-2	Gold Spot (\$/oz)	1,293.32	0.09%	1.33%
iTraxx Japan	47	0	-1	CRB	191.21	1.06%	2.31%
iTraxx Australia	64	-2	-1	GSCI	428.79	1.41%	4.06%
CDX NA IG	53	0	0	VIX	10.03	-5.82%	2.35%
CDX NA HY	108	0	0	CT10 (bp)	2.331%	1.25	-7.52
iTraxx Eur Main	49	0	-1	USD Swap Spread 10Y (bp)	-1	-1	1
iTraxx Eur XO	234	-4	6	USD Swap Spread 30Y (bp)	-23	-2	5
iTraxx Eur Shr Fin	47	-1	-6	TED Spread (bp)	21	3	-8
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	12	1	1
iTraxx Sovx CEEMEA	46	-3	5	Euro Libor-OIS Spread (bp)	3	0	0
					29-Nov	1W chg	1M chg
				AUD/USD	0.759	-0.32%	-1.24%
				USD/CHF	0.985	-0.29%	0.95%
				EUR/USD	1.184	0.16%	1.63%
				USD/SGD	1.346	0.05%	1.07%
Korea 5Y CDS	58	-8	-15	DJIA	23,837	1.73%	1.72%
China 5Y CDS	57	-2	6	SPX	2,627	1.74%	1.78%
Malaysia 5Y CDS	63	-4	0	MSCI Asiax	711	-1.05%	3.72%
Philippines 5Y CDS	63	-4	-1	HSI	29,633	-1.24%	4.20%
Indonesia 5Y CDS	94	-5	0	STI	3,443	0.37%	1.66%
Thailand 5Y CDS	48	-1	0	KLCI	1,718	-0.31%	-1.60%
				JCI	6,071	0.64%	1.60%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
28-Nov-17	Fortune Star (BVI) Ltd	'BB/NR/NR'	USD300mn	3-year	5.375%
28-Nov-17	Huarong Universe Investment Holding Ltd	'NR/NR/A'	EUR300mn	5-year	MS+150bps
28-Nov-17	Anton Oilfield Services Group	'NR/Caa1/CCC-'	USD300mn	3-year	99.366%
28-Nov-17	Power Finance Corporation Ltd	'BBB-/NR/BBB-'	USD400mn	10-year	CT10+157.5bps
27-Nov-17	Bank of Communications Co, Hong Kong Branch	'A-/NR/NR'	USD400mn	3-year	3mL+80bps
27-Nov-17	Bank of Communications Co, Hong Kong Branch	'A-/NR/NR'	USD600mn	5-year	3mL+90bps
27-Nov-17	China Construction Bank Corporation, Hong Kong Branch	'NR/A1/NR'	USD500mn	3-year	CT3+100bps
27-Nov-17	China Construction Bank Corporation, Hong Kong Branch	'NR/A1/NR'	USD800mn	3-year	3mL+80bps
27-Nov-17	China Construction Bank Corporation, Hong Kong Branch	'NR/A1/NR'	USD400mn	5-year	CT5+100bps
27-Nov-17	King Talent Management Ltd	'NR/NR/BB'	USD400mn	Perp NC5	5.6%

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has downgraded Export-Import Bank of Malaysia Berhad's (MEXIM) stand-alone credit profile to 'B1' from 'Ba3', while affirming its 'A3' issuer rating, senior unsecured debt rating and senior unsecured MTN program rating. The outlook is stable. The downgrade on MEXIM's stand-alone credit profile reflects weaknesses in its solvency metrics and risk positioning, as impaired loans increased and its capital position decreased following a period of rapid credit expansion. However, Moody's still classifies MEXIM as a government-related issuer, and thus MEXIM benefits from a multi-notch uplift. Moody's has upgraded Yuzhou Properties Company Limited's corporate credit rating to 'Ba3' from 'B1'. The outlook has been revised to stable from positive. The rating action reflects Moody's expectation that Yuzhou's credit metrics will improve, due to stronger contracted sales and slower debt growth. Moody's has upgraded GPT Group's issuer ratings and senior unsecured ratings to 'A2' from 'A3'. The outlook remains stable. The rating action reflects GPT Group's commitment to a conservative financial profile, and its ownership of a large and excellent portfolio of assets in the office, retail and industrial sector. Fitch has downgraded General Electric Company's (GE) and GE Capital Global Holdings, LLC's (GE Capital) Issuer Default Ratings (IDRs) to 'A+' from 'AA-'. The outlook is negative. The rating action reflects the deterioration in operating and financial performance, as it is being affected by secular changes in the Power segment's gas turbine business, which has reduced long-term prospects for growth. Fitch has affirmed PT Pan Brothers Tbk's (Pan Brothers) IDR at 'B', while revising the outlook to stable from positive. The rating action reflects Fitch's expectation that Pan Brother's intensifying working capital requirements and delay in capacity addition would affect the company's operating scale and bargaining power among global apparel brands. Fitch has assigned Qingdao Conson Development (Group) Co Ltd (Qingdao Conson Development) a 'BB+' IDR and rating on its senior unsecured US dollar notes. The outlook is stable. The rating reflects Qingdao Conson Development's 100% government ownership and strong government controls, which results in a high likelihood of extraordinary support, if needed. As such, the ratings on Qingdao Conson Development are credit-linked to, but not equalized to, those of the Qingdao municipality. Fitch has assigned Xiamen Xiangyu Group Corporation an IDR (Xiangyu Group) of 'BBB'. The outlook is stable. The rating reflects Xiangyu Group's 100% ownership by China's Xiamen municipality, which results in a high likelihood of extraordinary support, if Xiangyu Group defaults. As such, Xiangyu Group's ratings are credit-linked to, but not equalized with China's Xiamen municipality.

Credit Headlines:

CIMB Group Holdings Berhad ("CIMB"): CIMB reported 3Q2017 and 9M2017 results with record quarterly income of MYR4.42bn for 3Q2017, up 11.3% y/y. This was due to broad-based improvement in net interest income, income from Islamic Banking and non-interest income. For 9M2017, operating income was up 11.5% y/y with the bulk of the improvement due to net interest income growth of 10.5% y/y and non-interest income growth of 16.3% y/y. Key drivers for the better net interest income include higher loan volumes by 7.0% y/y (mostly in consumer banking) and better net interest margins while non-interest income improved due to capital market activities and higher fee income. Operating expense growth of 6.3% y/y for 9M2017 was impacted by adverse foreign currency movements but due to the slower growth rate of expenses to operating income, pre-provision operating profit growth was stronger at 17.9%. CIMB's cost to income ratio also fell to 52.1% for 9M2017 from 54.6%, towards its 50% goal under its Target 2018 strategy. Loan provisions fell 0.3% y/y for 9M2017 and this contributed to 9M2017 profit before tax ('PBT') improving 24.6% y/y to MYR4.57bn. Segment wise for 9M2017, Wholesale Banking PBT rose 64.6% on better capital markets activity, loans growth and lower provisions, while Consumer Banking PBT rose 10.8% y/y from non-interest income growth and contained expenses (including provisions). Commercial Banking performance was soft with PBT down 14.2% y/y as higher provisions offset revenue growth. Despite the lower overall provisions, CIMB's gross impaired loan ratio rose to 3.5% for 9M2017 from 3.2% in 9M2016 as impaired loans for construction and working capital rose since December 2016 with impaired loans by geography growing most in Thailand, Singapore and the United Kingdom. Due to the lower provisioning, the allowance coverage ratio fell y/y to 72.4% as at 30 September 2017 from 79.8% as at 31 December 2016. Given the record quarterly income and strong YTD performance, CIMB's capital ratios improved and remain well above minimum requirements with CIMB's reported CET1/CAR capital ratios at 12.0%/16.6% for 9M2017 (FY2016 11.6%/16.2%). We continue to review the numbers but do not expect any change to the Neutral Issuer Profile given the broadly positive results. (Company, OCBC)

Credit Headlines (Cont'd):

CapitaLand Ltd (“CAPL”): CAPL announced that both CAPL and CapitaLand Retail China Trust (“CRCT”, 39.4% owned by CAPL, part of CAPL’s consolidated results) are entering into a 49:51 joint venture to acquire a shopping mall in Guangzhou, China, known as Rock Square. The mall has ~570,000 sqft of NLA. The JV will be paying a consideration of RMB3,360mn (~SGD688.8mn), or roughly SGD1,210 per NLA. Comparatively, the Jurong Point transaction in Singapore was completed at ~SGD3,343 per NLA. Rock Square was reported to be previously acquired by an entity related to Pramerica (now known as PGIM) in 2012 for RMB2bn. CRCT would be funding its stake using 22% from fresh equity, 28% cash and 50% borrowings while CAPL will be funding its stake with cash and debt. As CRCT is consolidated into CAPL’s results, we estimate that the transaction (which is expected to close in 1Q2018) would increase net gearing to pro-forma ~47% (from our estimated ~45% as of end-3Q2017 which adjusted for the Asia Square Tower 2 acquisition). We are currently reviewing our Positive issuer profile on CAPL, and will update as necessary. (Company, OCBC)

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