

Sep 29, 2017

Credit Headlines (Page 2 onwards): Guocoland Ltd

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates trading 2-9bps higher across most tenors. Flows in SGD corporates were heavy, with better selling seen in HSBC 4.7%-PERPS. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 185bps, while the yield on JACI HY Corp rose 4bps to 6.86%. 10Y UST yields traded little changed at 2.31%, despite GDP data coming in stronger than expected.

New Issues: FCL Treasury Pte Ltd has priced a SGD42mn re-tap of its FCLSP 3.95%-PERP at 100. Industrial and Commercial Bank of China Ltd, Luxembourg Branch has priced a three-tranche deal, with the USD450mn 3-year floating rate note priced at 3mL+77bps, tightening from initial guidance of 3mL+100bps, the USD400mn 5-year fixed rate note priced at CT5+99bps, tightening from initial guidance of CT5+120bps, and the EUR1.1bn 3-year floating rate note priced at 3mE+55bps, tightening from initial guidance of 3mE+75bps. The expected issue ratings are 'NR/A1/NR'. New Lion Bridge Co Ltd has priced a USD160mn 3NC2 bond (guaranteed by Lionbridge Capital Co Ltd) at 9.75%, in line with final guidance of 9.75%. The expected issue ratings are 'NR/B2/B'. Overseas Chinese Town (Asia) Holdings Ltd has priced a USD800mn Perp NC3 (guaranteed by Overseas Chinese Town Enterprises Company) at 4.35%, tightening from initial guidance of 4.75% area. Yinson Juniper Ltd has priced a USD100mn Perp NC5 (guaranteed by Yinson Holdings Berhad) at 7.875%, tightening from initial guidance of 8% area. Top Yield Ventures Ltd may be pricing a USD3.5-year bond (guaranteed by Nan Hai Corporation Ltd) today. The expected issue ratings are 'NR/B2/NR'.

Rating Changes: S&P has downgraded CITIC Ltd and CITIC Group Corp's corporate credit rating to 'BBB+' from 'A-'. The outlook is stable. The rating action follows the revision of the economic risk score under S&P's Banking Industry Risk Assessment of China. S&P believes the heightened credit risk in China reduced CITIC Bank's capital buffer, thus increasing the relative credit risk of CITIC Group and CITIC Ltd.

Table 1: Key Financial Indicators

	29-Sep	1W chg (bps)	1M chg (bps)		29-Sep	1W chg	1M chg
iTraxx Asiax IG	83	2	3	Brent Crude Spot (\$/bbl)	57.60	1.30%	10.77%
iTraxx SovX APAC	18	2	-1	Gold Spot (\$/oz)	1,287.33	-0.77%	-1.67%
iTraxx Japan	46	0	2	CRB	182.99	-0.22%	3.08%
iTraxx Australia	72	0	-1	GSCI	400.20	0.74%	6.02%
CDX NA IG	57	-3	-3	VIX	9.55	-1.24%	-18.38%
CDX NA HY	108	1	1	CT10 (bp)	2.309%	5.86	17.93
iTraxx Eur Main	58	-1	0	USD Swap Spread 10Y (bp)	-4	-1	2
iTraxx Eur XO	255	-3	9	USD Swap Spread 30Y (bp)	-33	-1	2
iTraxx Eur Snr Fin	60	0	4	TED Spread (bp)	28	-2	-4
iTraxx Sovx WE	5	0	-1	US Libor-OIS Spread (bp)	14	-1	-2
iTraxx Sovx CEE/MEA	42	2	-2	Euro Libor-OIS Spread (bp)	3	0	0
					29-Sep	1W chg	1M chg
				AUD/USD	0.785	-1.41%	-1.27%
				USD/CHF	0.971	-0.15%	-1.55%
				EUR/USD	1.178	-1.40%	-1.57%
				USD/SGD	1.359	-0.93%	-0.26%
Korea 5Y CDS	75	4	12	DJIA	22,381	0.10%	2.36%
China 5Y CDS	63	3	3	SPX	2,510	0.38%	2.61%
Malaysia 5Y CDS	70	1	-4	MSCI Asiax	656	-2.32%	-0.16%
Philippines 5Y CDS	65	1	1	HSI	27,422	-2.45%	-1.24%
Indonesia 5Y CDS	105	2	0	STI	3,227	0.41%	-0.68%
Thailand 5Y CDS	52	2	-3	KLCI	1,758	-0.88%	-0.17%
				JCI	5,841	-1.11%	-0.80%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
28-Sep-17	FCL Treasury Pte Ltd (re-tap)	Not Rated	SGD42mn	FCLSP 3.95%-PERP	100.0
28-Sep-17	Industrial and Commercial Bank of China Ltd	'NR/A1/NR'	USD450mn	3-year	3mL+77bps
28-Sep-17	Industrial and Commercial Bank of China Ltd	'NR/A1/NR'	USD400mn	5-year	CT5+99bps
28-Sep-17	Industrial and Commercial Bank of China Ltd	'NR/A1/NR'	EUR1.1bn	3-year	3mE+55bps
28-Sep-17	New Lion Bridge Co Ltd	'NR/B2/B'	USD160mn	3NC2	9.75%
28-Sep-17	Overseas Chinese Town (Asia) Holdings Ltd	Not Rated	USD800mn	Perp NC3	4.35%
28-Sep-17	Yinson Juniper Ltd	Not Rated	USD100mn	Perp NC5	7.875%
27-Sep-17	Geo Coal International Pte Ltd	'B/B2/B'	USD300mn	5NC3	8.35%
26-Sep-17	CK Hutchison International (17) (II) Ltd	'A-/A3/A-'	USD1bn	3-year	CT3+77.5bps
26-Sep-17	CK Hutchison International (17) (II) Ltd	'A-/A3/A-'	USD750mn	5.5-year	CT5.5+92.5bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has affirmed HSBC Bank Australia Ltd's (HBAU) long-term deposit, issuer, senior unsecured ratings and adjusted baseline credit assessment (BCA) at 'A1', BCA at 'Baa1', and counterparty risk assessment (CRA) at 'Aa3'. The outlook have been revised to stable from negative. The ratings on HBAU were affirmed despite the downgrade of its parent, The Hongkong and Shanghai Banking Corp Ltd, as the bank has a conservative funding profile that is centred on deposits. Similarly, Moody's has affirmed HSBC Bank Malaysia Berhad's (HSBCM) 'A1' local currency and 'A3' foreign currency deposit ratings, 'Baa1' BCA, and 'A1' BCA and CRA. The outlook has been revised to stable from negative. Moody's affirmed the rating on HSBCM despite the downgrade on its parent, as HSBCM has a solid liquidity profile, good deposit franchise and favourable funding structure, with a low reliance on market sensitive funding sources. Moody's has affirmed Japan Logistics Fund Inc's (JLF) 'A1' issuer rating, while changing its rating outlook to negative from stable. The rating action reflects the rise in JLF's leverage as a result of a series of property acquisitions this year. Moody's has assigned Yiwu State-owned Capital Operation Co Ltd (YWSCOC) a 'Baa3' issuer rating. The outlook is stable. The rating combines YWSCOC's 'Ba3' baseline credit assessment with a three-notch uplift as it is 100% owned by the Yiwu government. YWSCOC's BCA is driven by its diversified business profile, which consolidates the majority of Yiwu city's state-owned operating assets; the stable recurring rental income from its commodity trading centres; and its strong access to domestic funding. However, the rating is constrained by its high debt leverage.

Credit Headlines:

GuocoLand Ltd ("GUOL"): GUOL has been announced as the highest bidder for the commercial site located at Beach Road, Nicoll Highway and Rochor Road following the closing of the tender yesterday. GUOL's bid of SGD1.62bn or SGD1,706 per square foot of gross floor area is a record for land prices in Singapore. In announcing the tender close, The Urban Redevelopment Authority confirmed the tender is yet to be awarded and will only be done after all bids have been evaluated. GUOL's bid is around SGD50mn higher than the second bidder (Kingsford Hurray Development Pte Ltd). Other bidders included affiliates of OUE Limited and Cheung Kong Holdings. We recently upgraded GUOL's issuer profile to Neutral from Negative (refer to [OCBC Asia Credit - Singapore Mid-Year 2017 Credit Outlook \(8 Jul\)](#)) on the back of stronger contributions from GUOL's existing projects which help mitigate elevated (albeit improving) net gearing, which we expect to remain elevated from capital commitments to develop Martin Place and progressive payments for the land parcel in Chongqing. While recent 4QFY2017 results show GUOL's improved earnings and a seeming recovery in Singapore's property market (refer [OCBC Asian Credit Daily – 28 Aug 2017](#)) which likely drove GUOL's strong bid for the Beach Road site, it remains to be seen if the better earnings performance of GUOL can sufficiently mitigate anticipated higher leverage should GUOL's bid be ultimately successful. We will continue to monitor developments and update GUOL's Neutral Issuer Profile as necessary. (Company, URA, 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