

March 30, 2017

Credit Headlines (Page 2 onwards): Perennial Real Estate Holdings Ltd

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in BNP 3.65%'24s, GUOLSP 4%'22s, and mixed interest in FCLSP 4.15%'27s, PILLSP 5.9%'17s, UOBSP 3.5%'29s. In the broader dollar space, the spread on JACI IG corporates held fell 1bps to 194bps while the yield on JACI HY rose 2bps to 6.65%. 10y UST yields fell 4bps to 2.38%, as euro-zone government bonds rallied on a report that European Central Bank policy makers are wary of altering their dovish message before June.

New Issues: Hyundai Capital America priced a USD1.1bn 3-tranche deal; with the USD400mn 3-year piece at CT3+108bps, tightening from initial guidance of CT3+125bps; the USD200mn 3-year piece at 3mL+80bps; and the USD500mn 5-year piece at CT5+120bps, tightening from initial guidance of CT5+135bps. ICBC Finance Co. priced a USD2bn 2-tranche deal; with the USD1.15bn 3-year piece at CT3+150bps, tightening from initial guidance of CT3+170bps; and the USD850mn 5-year piece at CT5+152.5bps, tightening from initial guidance of CT5+175bps. The expected issue ratings are 'NR/A2/A'. EFG International (Guernsey) Ltd. priced a USD400mn 10NC5 Tier 2 bond at 5%, tightening from initial guidance of 5.5%. The expected issue ratings are 'NR/NR/BBB+'. WEA Finance LLC priced a USD500mn 5-year bond (guaranteed by Westfield Corporation Limited and Westfield America Inc.) at CT5+125bps, tightening from initial guidance of CT5+137.5bps. Korea Expressway Corporation scheduled investor roadshows from 4 April for potential USD bond issuance. JSW Steel Ltd. scheduled investor meetings from 30 March for potential USD bond issuance.

Rating Changes: S&P upgraded Japan-based securities company Deutsche Securities Inc's Local and Foreign Issuer Credit to 'A-' from 'BBB+'. The rating outlook is negative. This follows the similar rating action on Deutsche Bank AG from yesterday.

Table 1: Key Financial Indicators

	30-Mar	1W chg (bps)	1M chg (bps)		30-Mar	1W chg	1M chg
iTraxx Asiax IG	94	-1	-2	Brent Crude Spot (\$/bbl)	52.34	3.52%	-5.85%
iTraxx SovX APAC	21	0	-5	Gold Spot (\$/oz)	1,250.70	0.44%	0.18%
iTraxx Japan	45	-1	-7	CRB	185.21	0.74%	-2.84%
iTraxx Australia	86	-3	1	GSCI	384.81	1.74%	-4.33%
CDX NA IG	68	0	5	VIX	11.42	-10.85%	-11.61%
CDX NA HY	107	0	-1	CT10 (bp)	2.396%	-2.31	0.64
iTraxx Eur Main	74	-1	1	USD Swap Spread 10Y (bp)	-2	1	0
iTraxx Eur XO	291	-3	-1	USD Swap Spread 30Y (bp)	-38	0	-1
iTraxx Eur Snr Fin	88	-2	-4	TED Spread (bp)	37	-3	-7
iTraxx Sovx WE	11	-1	-10	US Libor-OIS Spread (bp)	23	0	-2
iTraxx Sovx CEEMEA	52	3	-13	Euro Libor-OIS Spread (bp)	2	1	0
					30-Mar	1W chg	1M chg
				AUD/USD	0.767	0.60%	0.21%
				USD/CHF	0.997	-0.36%	0.88%
				EUR/USD	1.076	-0.26%	1.69%
				USD/SGD	1.396	0.28%	0.54%
Korea 5Y CDS	52	2	6	DJIA	20,659	-0.01%	-0.73%
China 5Y CDS	82	-1	-9	SPX	2,361	0.54%	-0.11%
Malaysia 5Y CDS	106	0	-4	MSCI Asiax	587	0.44%	4.04%
Philippines 5Y CDS	82	-1	-3	HSI	24,392	0.26%	2.74%
Indonesia 5Y CDS	128	-2	-2	STI	3,184	1.84%	2.84%
Thailand 5Y CDS	53	-3	-2	KLCI	1,749	0.13%	3.27%
				JCI	5,593	0.89%	3.82%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
29-Mar-17	Hyundai Capital America	Not Rated	USD400mn	3-year	CT3+108bps
29-Mar-17	Hyundai Capital America	Not Rated	USD200mn	3-year	3mL+80bps
29-Mar-17	Hyundai Capital America	Not Rated	USD500mn	5-year	CT5+120bps
29-Mar-17	ICBC Finance Co	"NR/A2/A"	SGD1.15bn	3-year	CT3+150bps
29-Mar-17	ICBC Finance Co	"NR/A2/A"	USD850mn	5-year	CT5+152.5bps
29-Mar-17	EFG International (Guernsey) Ltd.	"NR/NR/BBB+"	USD400mn	10NC5	5%
29-Mar-17	WEA Finance LLC	Not Rated	USD500mn	5-year	CT5+125bps
28-Mar-17	Yango (Cayman) Investment Ltd.	Not Rated	USD300mn	3Put2	6.85%
27-Mar-17	Huantaihu International Investment Co. Ltd.	Not Rated	USD150mn	3-year	5.75%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's upgraded China Aoyuan Group Limited's (China Aoyuan) corporate family rating to 'B1' from 'B2'. In addition, Moody's upgraded China Aoyuan's senior unsecured ratings on the company's USD bonds to 'B2' from 'B3'. The ratings outlook is stable. The rating action reflects the company's growing scale, improved geographic diversity, and Moody's expectation that the company's credit metrics will improve over the next 12 months to levels comparable to other B1-rated Chinese property peers. Fitch upgraded Fufeng Group Limited's (Fufeng) Foreign-Currency Issuer Default Rating (IDR) and senior unsecured rating to 'BB+' from 'BB'. The rating outlook on the IDR is stable. The rating action reflects Fufeng's improved profitability and performance in the amino acid segment that was helped by industry consolidation and lower leverage.

Credit Headlines:

Perennial Real Estate Holdings Ltd ("PREH"): PREH announced that its JV (50-50 with IJM Land Bhd) has completed the acquisition of a 1.4mn sq ft site in Penang for MYR402.8mn. As previously announced on 21 Apr 2015, this will be developed into a 4.1mn GFA mixed-use development (Penang Waterfront Integrated Development), including a shopping mall & thematic shops (1.5mn sq ft), residential towers (1.1mn sq ft), an office tower (0.6mn sq ft), two hotels with over 750 rooms (0.5mn sq ft) and convention centre (0.3mn sq ft). The expected total development cost is over MYR3.0bn, and is expected to be completed in phases, starting from 2018 with the final completion expected in 2021. While gearing is expected to increase due to the size of the project as other major development projects in China are ongoing, we think PREH can manage as net gearing ratio is expected to fall to 0.46x (4Q16: 0.66x) post divestment of 20.2% interest in TripleOne Somerset. We continue to hold PREH at a Neutral Issuer Profile. (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

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