

December 4, 2017

Credit Headlines (Page 2 Onwards): Keppel Corp, G8 Education Ltd, Wing Tai Properties Ltd

Market Commentary: The SGD swap curve traded marginally lower on Friday, with swap rates trading 1bps lower across most tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, and better selling seen in ARASP 5.2%-PERPs. In the broader dollar space, the spread on JACI IG Corp fell 1bps to 181bps, while the yield on JACI HY Corp fell 3bps to 6.91%. 10Y UST yield fell 5bps to 2.36% on Friday, as yields traded downwards after former national security adviser Michael Flynn pleaded guilty to lying to prosecutors about conversations with Russia's ambassador, reversing the earlier gains in yields after progress was seen in tax-reforms.

New Issues: Shimao Property Holdings Limited has proposed a re-tap on its SHIMAO 4.75%'22s. The issue ratings are 'BB/NR/BBB'.

Rating Changes: S&P has upgraded China National Offshore Oil Corp (CNOOC Group), CNOOC Ltd, and CNOOC Finance Corp Ltd to 'A+' from 'A'. The outlook is stable. At the same time, S&P has upgraded the issue rating on the senior unsecured notes that CNOOC Group and CNOOC Ltd guarantee to 'A+' from 'A'. The rating action reflects S&P's expectation that CNOOC Group, along with CNOOC can sustain improvement in its credit metrics and that it has a large rating buffer to weather volatility in oil prices. S&P has affirmed Sony Corp's 'BBB' long-term corporate credit and issue ratings, while revising the outlook to positive from stable. The rating action reflects the resilience of Sony's profitability to down cycles in economic activity, underpinned by restructuring. S&P expects its earnings performance to improve, as it is supported by robust earnings in its main businesses and a recovery in its image sensor business. Fitch has upgraded Tewoo Group Co Ltd's (Tewoo) long-term Issuer Default Rating (IDR) and senior unsecured rating to 'BBB' from 'BBB-'. The outlook is stable. The rating action reflects Fitch's belief that Tewoo's linkage with the Tianjin municipality is stronger than previously thought, and as such, Fitch has increased the uplift on Tewoo's standalone 'BB' rating to three notches from two notches.

Table 1: Key Financial Indicators

	4-Dec	1W chg (bps)	1M chg (bps)		4-Dec	1W chg	1M chg
iTraxx Asiax IG	73	-1	-3	Brent Crude Spot (\$/bbl)	63.40	-0.69%	2.14%
iTraxx SovX APAC	14	0	-1	Gold Spot (\$/oz)	1,274.83	-1.52%	-0.56%
iTraxx Japan	46	-1	-2	CRB	190.69	-0.80%	0.69%
iTraxx Australia	64	-3	-2	GSCI	429.48	-0.40%	2.11%
CDX NA IG	53	0	0	VIX	11.43	18.20%	25.05%
CDX NA HY	108	0	0	CT10 (bp)	2.403%	7.49	7.01
iTraxx Eur Main	48	-2	-2	USD Swap Spread 10Y (bp)	0	1	3
iTraxx Eur XO	229	-8	6	USD Swap Spread 30Y (bp)	-21	2	6
iTraxx Eur Snr Fin	47	-1	-4	TED Spread (bp)	24	3	1
iTraxx Sovx WE	3	0	-1	US Libor-OIS Spread (bp)	12	0	2
iTraxx Sovx CEEMEA	46	-1	-1	Euro Libor-OIS Spread (bp)	2	-1	-1
					4-Dec	1W chg	1M chg
				AUD/USD	0.761	0.05%	-1.11%
				USD/CHF	0.982	-0.05%	1.55%
				EUR/USD	1.187	-0.23%	2.25%
				USD/SGD	1.349	-0.21%	0.95%
Korea 5Y CDS	58	-2	-12	DJIA	24,232	2.86%	2.94%
China 5Y CDS	56	-2	0	SPX	2,642	1.53%	2.10%
Malaysia 5Y CDS	63	-2	-1	MSCI Asiax	694	-2.32%	-0.82%
Philippines 5Y CDS	63	-1	-1	HSI	29,207	-1.62%	2.11%
Indonesia 5Y CDS	93	-2	-3	STI	3,438	0.06%	1.66%
Thailand 5Y CDS	47	-1	-1	KLCI	1,713	-0.26%	-1.79%
				JCI	6,019	-0.79%	-0.31%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
30-Nov-17	Adani Abbot Point Terminal Pty Ltd	'BBB-/NR/BBB-'	USD500mn	5-year	CT5+245bps
30-Nov-17	Gansu Provincial Highway Aviation Tourism Investment Group Co Ltd	'BBB-/NR/BBB-'	EUR410mn	3-year	MS+200bps
29-Nov-17	Alibaba Group Holding Ltd	'A+/A1/A+'	USD700mn	5.5-year	CT5+73bps
29-Nov-17	Alibaba Group Holding Ltd	'A+/A1/A+'	USD2.55bn	10-year	CT10+108bps
29-Nov-17	Alibaba Group Holding Ltd	'A+/A1/A+'	USD1bn	20-year	CT20+118bps
29-Nov-17	Alibaba Group Holding Ltd	'A+/A1/A+'	USD1.75bn	30-year	CT30+138bps
29-Nov-17	Alibaba Group Holding Ltd	'A+/A1/A+'	USD1bn	40-year	CT30+158bps
29-Nov-17	Third Pakistan International Sukuk Company Ltd	'B/B3/NR'	USD1bn	5-year	5.625%
29-Nov-17	Third Pakistan International Sukuk Company Ltd	'B/B3/NR'	USD1.5bn	10-year	6.875%
28-Nov-17	Fortune Star (BVI) Ltd	'BB/NR/NR'	USD300mn	3-year	5.375%

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has assigned Wijaya Karya (Persero) Tbk (PT) (WIKA) a 'Ba2' corporate family rating. The outlook is stable. The rating reflects WIKA's standalone credit profile as one of the largest integrated construction companies in Indonesia, its established track record of completing large projects, and a strong order book which provides revenue and cash flow visibility over the next few years. However, WIKA's rating is constrained by the cyclical nature in the construction industry, but it benefits from a two-notch uplift based on Moody's expectation of a moderate level of extraordinary support from the government of Indonesia. Moody's has assigned Woori Bank's CD program a 'A2' long-term rating. At the same time, Fitch has assigned a CD programme rating of 'A2' to Woori Bank's Hong Kong branch, London Branch, and Los Angeles branch, in line with the ratings on Woori Bank. In addition, Moody's has assigned a long-term Counterparty Risk Assessment of 'A1' to the aforementioned banks. The rating action reflects the status of the CDs issued under the programme, which will be direct, unconditional, unsubordinated and unsecured obligations of Woori Bank. Moody's has affirmed Bank of Nanjing Co Ltd's (BONJ) deposit ratings and Counter Party Risk Assessment at 'Baa3', as well as the baseline credit assessment (BCA) and adjusted BCA at 'Ba2'. The outlook has been changed to stable from negative. The rating action reflects BONJ's asset quality, which has stabilized since the second half of 2016 with a stabilizing non-performing loan ratio and declining special-mentioned loan and delinquency loan ratios.

Credit Headlines:

Keppel Corp ("KEP"): KEP had reported that its indirectly wholly-owned environment infrastructure subsidiary, Keppel Seghers, along with their project partner, Zhen Hua Engineering Co ("Zhen Hua"), had been awarded a contract with HKD31bn (~SGD5.3bn) for Hong Kong's first integrated waste management facility. The facility will be situated off the south of Lantau Island, Hong Kong. The EPC work will be undertaken by Zhen Hua, with KEP providing its proprietary waste-to-energy technology. Subsequently, KEP would undertake operations and maintenance of the facility for 15 years after its completion in 2024. KEP's share in the project is ~HKD11.3bn (~SGD1.95bn) with up to an additional ~HKD9.6bn (or ~SGD1.7bn) for escalation provisions and other contingencies. It remains too early to gauge the impact of the contract on KEP's future performance given that the facility is only expected to come online in 2024, though we note that as a reference, KEP had generated SGD625.8mn in revenue for its infrastructure segment during 3Q2017. We will continue to hold KEP's Neutral Issuer Profile for now. (Company, OCBC)

G8 Education Ltd ("G8"): G8 provided a trading update for 2017 and changes to its executive leadership team. The forecast of underlying EBIT for 2017 is revised downwards to AUD160mn (from EBIT of mid-AUD170mn forecasted in Aug 2017). The difference of ~AUD15mn is mainly due to slowing occupancy growth, which is forecasted at ~77% for 2017 (2016: 79.7%). G8 faces challenges from supply issues in areas in Western Sydney, Gold Coast, East Brisbane and Inner Melbourne while North Queensland continues to see sluggish wage growth and employment conditions suppressing demand. Costs have also increased, as G8 is forecasting AUD3mn to be utilised for temporary agency labour to meet immediate requirements in relation to change in regulatory requirements for staffing ratios. Another AUD1mn related to Long Day Care Professional Development Program ("LDCPDP") will be required to accelerate training for G8 team members. Moving forward, G8 expects the occupancy environment to remain challenging in 2017 and over the next 6-9 months. Nevertheless, EBIT margin is expected to improve ~1ppt y/y in 2017. In relation to the update on the executive leadership team, Greg Bowell will join G8 as GM-Marketing while Rod Anderson will join G8 as GM-Property. According to G8, Greg has significant experience in senior marketing and executive roles in multi-brand and multi-channel environments in retail and FMCG sectors while Rod has 20+years' experience in GM Property roles for retailers with large-scale national networks and senior leadership roles within the child care sector. Meanwhile, Jason Roberts (GM-Business Development) will leave G8 in mid-Jan. Thus far, we think G8's credit metrics remains manageable with 1H2017 reported net debt/EBITDA at 1.2x and liquidity looks sufficient from establishment of AUD200mn club bank facility and a bank guarantee facility of AUD45mn. As such, we continue to hold G8 at a Neutral Issuer Profile. However, we downgrade GEMAU 5.5% '19 from Overweight to Neutral as we recognise the significant market reaction (G8's stock price is down 20% as of time of writing) and the potential overhang from uncertainties over the outlook of occupancy. We will look to the full 2017 results for further clarity on G8's operating performance. (Company, OCBC)

Wing Tai Properties Ltd ("WTP"): WTP has requested for trading halt, pending a major transaction. (Company)

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