

October 4, 2017

Credit Headlines (Page 2 onwards): Mapletree Industrial Trust, GuocoLand Ltd, Industry Outlook – Singapore Residential property

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 1-3bps lower across all tenors. Flows in SGD corporates were moderate, with better buying seen in OUESP 4.25%’19s. In the broader dollar space, the spread on JACI IG Corp traded little changed at 183bps, while the yield on JACI HY Corp rose 2bps to 2.88%. 10Y UST yields fell 2bps to 2.32%, with the fall in yields coinciding with a Politico report that stated Treasury Secretary Mnuchin favors Jerome Powell as next Fed chair.

New Issues: Puma International Financing SA has priced a USD600mn 7-year bond (guaranteed by Puma Energy Holdings Pte Ltd) at 5.125%, widening from initial guidance of 5% area. The expected issue ratings are ‘NR/Ba2/BB’.

Rating Changes: S&P has affirmed Toshiba Corp’s (Toshiba) ‘CCC-’ corporate credit rating. The outlook is negative. S&P has removed the ratings from Creditwatch negative, in place since December 2016 as the company might recognize massive losses relating to its US nuclear business. At the same time, S&P upgraded Toshiba’ senior unsecured rating to ‘CCC-’ from ‘CC’ after S&P published a revised version of their issue rating criteria. The removal of the ratings watch reflects S&P’s view that the risk of a rapid surge of pressure on the rating is less likely, after Toshiba agreed to sell its memory chip business, and the possibility of additional losses and financial burden pertaining to the US nuclear power business has lowered. S&P has affirmed Origin Energy Ltd’s (Origin) ‘BBB-’ long-term corporate credit rating and rating on its unsecured debt, and ‘BB’ rating on the subordinated debt issued by Origin Energy Finance Ltd. The outlook has been revised to positive from stable. The rating action reflects S&P’s expectation that Origin’s financial metrics should sustain at levels strong for the current rating following the agreement to sell its conventional upstream gas business and subsequent paydown of debt.

Table 1: Key Financial Indicators

	4-Oct	1W chg (bps)	1M chg (bps)		4-Oct	1W chg	1M chg
iTraxx Asiax IG	79	-5	1	Brent Crude Spot (\$/bbl)	55.65	-3.89%	6.32%
iTraxx SovX APAC	17	0	-1	Gold Spot (\$/oz)	1,275.06	-0.60%	-4.41%
iTraxx Japan	45	-1	1	CRB	180.90	-1.36%	-0.03%
iTraxx Australia	69	-5	-1	GSCI	393.85	-1.92%	1.93%
CDX NA IG	54	-3	-3	VIX	9.51	-6.49%	-6.12%
CDX NA HY	108	1	1	CT10 (bp)	2.316%	0.54	15.00
iTraxx Eur Main	55	-2	1	USD Swap Spread 10Y (bp)	-4	0	1
iTraxx Eur XO	248	-7	10	USD Swap Spread 30Y (bp)	-32	1	2
iTraxx Eur Snr Fin	59	-1	6	TED Spread (bp)	29	1	-2
iTraxx Sovx WE	5	0	0	US Libor-OIS Spread (bp)	14	-1	-2
iTraxx Sovx CEEMEA	39	-4	-1	Euro Libor-OIS Spread (bp)	3	0	0
					4-Oct	1W chg	1M chg
				AUD/USD	0.785	0.04%	-1.16%
				USD/CHF	0.972	0.01%	-1.42%
				EUR/USD	1.177	0.20%	-1.08%
				USD/SGD	1.360	-0.02%	-0.18%
Korea 5Y CDS	71	-4	6	DJIA	22,642	1.60%	2.97%
China 5Y CDS	59	-4	1	SPX	2,535	1.51%	2.34%
Malaysia 5Y CDS	66	-4	-5	MSCI Asiax	670	1.43%	1.76%
Philippines 5Y CDS	65	-1	3	HSI	28,311	2.90%	2.06%
Indonesia 5Y CDS	102	-4	0	STI	3,241	0.15%	0.31%
Thailand 5Y CDS	50	-2	-3	KLCI	1,760	-0.27%	-0.77%
				JCI	5,939	1.29%	2.16%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
4-Oct-17	Puma International Financing SA	‘NR/Ba2/BB’	USD600mn	7-year	5.125%
29-Sep-17	21 Vianet Group Inc (re-tap)	Not Rated	USD100mn	VNET 7%’20s	100.04
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%

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has affirmed the long-term deposit rating of HSBC Bank (China) Company Limited (HSBC China) at 'A1', and that of Hang Seng Bank (China) Limited (Hang Seng China) at 'A2'. At the same time, Moody's has upgraded HSBC China's baseline credit assessment (BCA) to 'Baa2' from 'Baa3', while affirming Hang Seng China's BCA at 'Ba1', adjusted BCA at 'A2', and HSBC China's adjusted BCA at 'A1'. The outlook has been revised to stable from negative. The ratings were affirmed despite the downgrade on the HSBC China and Hang Seng Bank China's parents, The Hongkong and Shanghai Banking Corp Ltd and Hang Seng Bank Limited respectively. The rating action on HSBC China reflects its sound asset quality, robust funding, strong capitalization and strained profitability, while the rating action on Hang Seng China takes into account its weak profitability, strained asset quality, high concentration to large borrowers and strong capitalization.

Credit Headlines:

Mapletree Industrial Trust ("MINT"): MINT has announced an expanded investment strategy, effective from 26 October 2017. Currently, MINT's investment strategy focuses on industrial assets (eg: business parks, flatted factories, stack-up/ramp-up, hi-tech, light industrial and general industrial buildings but excludes those for logistics purposes). The expanded strategy would see MINT also pursuing opportunities in real estate used primarily as data centres globally beyond Singapore. As at 30 June 2017, data centres make up 6.5% of its total assets and MINT has set an initial target of increasing its data centres overseas to 20% of its total assets. As we had highlighted previously, certain of MINT's portfolio are facing structural declines in valuation (from time decay in shortened land tenure); simultaneously older, lower-specification properties are becoming out-of-step with the types of industries Singapore is attracting. We see the expansion of investment strategy into global data centres as timely to defend the REIT's mid-to-longer term credit profile. We continue to maintain MINT's issuer profile at Neutral on the back of its low leverage and ample interest coverage versus peers. (Company, OCBC)

GuocoLand Ltd ("GLL"): Following the highest bid of SGD1.62bn (refer to [Asian Credit Daily - 29 Sep 2017](#)), the GuocoLand JV has been awarded the tender commercial site at Beach Road. The GuocoLand JV is 70%-owned by GLL and 30% by its parent Guoco Group Ltd. This is credit negative in our view, as GLL's net gearing of 0.84x may deteriorate to ~1.1x. However, we are keeping GUOL's Neutral Issuer Profile with its latest earnings reflecting solid performance amidst the recovery of the Singapore property market while Guoco Tower begins to contribute. (Company, OCBC)

Industry Outlook – Singapore Residential property: According to URA flash estimates, private home prices increased by 0.5% q/q (compared to decline of 0.1% and 0.4% in 2Q and 1Q respectively). This is the first increase following 15 consecutive quarters of decline, with a broader-based recovery as prices increased in Core Central Region (+0.2%) and Outside Central Region (+0.7%) while prices in Rest of Central Region remains unchanged.

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