

Jun 5, 2017

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

Market Commentary: The SGD swap curve traded upwards last Friday, by 1-2bps, with the exception of the 15y, 20y, and 30y tenors which traded lower by 1bps. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%'49s, mixed interest in HRAM 3.2%'21s, WHEELK 4.5%'21s, DBSSP 5.75%'49s, UOBSP 3.5%'29s, BAERVX 5.9%'49s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 196bps, while the yield on JACI HY corporates changed little at 6.82%. 10y UST yields fell 5bps last Friday to 2.16%, after the U.S May jobs report missed expectations.

New Issues: Far East Horizon Ltd scheduled investor roadshows from 5 Jun for potential USD perp issuance. FWD Group scheduled investor meetings from 5 Jun for potential USD bond issuance. Korean Air Lines Co Ltd hired banks for potential USD bond issuance. AMTD Group Co Ltd scheduled investor meetings from 5 Jun for potential bond issuance.

Rating Changes: Moody's placed Barmenco Holdings Pty Limited's (Barmenco) 'B1' corporate family rating, Barmenco Finance Pty Ltd's 'B1' senior secured notes rating, and the 'Ba3' rating for its senior secured revolving credit facility, on review for downgrade. The rating review follows the 1 Jun 2017 announcement of the contract loss of the Kundana gold mine project which will result in lower EBITDA than Moody's forecast. Fitch upgraded Hong Kong-based Cheung Kong Property Holdings Limited's (CKP) Foreign-Currency Issuer-Default Rating (IDR) to 'A' from 'A-'. The outlook is stable. The rating action reflects CKP's strong financial position, as measured by net debt/recurring EBITDA of below 2x, which is comparable to 'A'-rated landlords based in Hong Kong. Fitch affirmed Indian Railway Finance Corporation Limited's (IRFC) Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BBB-'. The Outlook is Stable. Fitch has also affirmed all IRFC's senior unsecured outstanding issues and debt instruments at 'BBB-'. According to Fitch, IRFC's ratings are equalised with those of the Government of India as the company's strategy is dictated by the government, which tightly monitors and controls it.

Table 1: Key Financial Indicators

	5-Jun	1W chg (bps)	1M chg (bps)		5-Jun	1W chg	1M chg
iTraxx Asiax IG	87	-4	-5	Brent Crude Spot (\$/bbl)	49.96	-4.46%	1.75%
iTraxx SovX APAC	19	0	-2	Gold Spot (\$/oz)	1,280.70	0.99%	4.29%
iTraxx Japan	41	-1	-3	CRB	177.96	-1.76%	0.02%
iTraxx Australia	86	1	4	GSCI	374.34	-2.29%	0.79%
CDX NA IG	60	-2	-2	VIX	9.75	-2.40%	-7.76%
CDX NA HY	108	0	0	CT10 (bp)	2.159%	-8.74	-18.96
iTraxx Eur Main	62	0	-2	USD Swap Spread 10Y (bp)	-5	-2	1
iTraxx Eur XO	248	-2	-8	USD Swap Spread 30Y (bp)	-43	0	2
iTraxx Eur Snr Fin	70	3	1	TED Spread (bp)	25	-3	-8
iTraxx Sovx WE	8	-1	1	US Libor-OIS Spread (bp)	10	-2	-5
iTraxx Sovx CEEMEA	43	1	-3	Euro Libor-OIS Spread (bp)	3	1	0
					5-Jun	1W chg	1M chg
				AUD/USD	0.743	-0.15%	0.07%
				USD/CHF	0.964	1.46%	2.50%
				EUR/USD	1.127	0.97%	2.49%
				USD/SGD	1.382	0.33%	1.68%
Korea 5Y CDS	55	-1	-3	DJIA	21,206	0.59%	0.95%
China 5Y CDS	75	-3	-6	SPX	2,439	0.99%	1.66%
Malaysia 5Y CDS	94	-6	-13	MSCI Asiax	624	0.53%	4.95%
Philippines 5Y CDS	78	-2	-1	HSI	25,924	1.14%	5.91%
Indonesia 5Y CDS	120	-5	-6	STI	3,240	0.79%	0.32%
Thailand 5Y CDS	57	-1	-1	KLCI	1,777	0.68%	0.81%
				JCI	5,742	0.68%	1.04%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
1-Jun-17	HSBC Holdings Plc	"NRBaa3/BBB"	SGD1bn	4-year	4.7%
1-Jun-17	Lendlease Retail Investments	Not Rated	SGD50mn	7-year	3.35%
1-Jun-17	DBS Group Holdings Ltd	"NR/Aa2/AA"	USD750mn	3-year	3mL+49bps
31-May-17	Asian Development Bank	"AAA/Aaa/AAA"	USD1.75bn	4-year	MS+7bps
31-May-17	The Republic of Maldives	"NR/B2/B+"	USD200mn	5-year	7%
31-May-17	ESR Cayman Ltd.	Not Rated	USD100mn	Perp NC3	8.25%
31-May-17	Singapore Labour Foundation	Not Rated	SGD30mn	5-year	1.81%
30-May-17	FCL Treasury Pte Ltd (re-tap)	"BBB+/NR/NR"	SGD50mn	FCL 4.15%'27s	100.50
29-May-17	Fraser Centrepoint Trust	"BBB+/NR/NR"	SGD30mn	5-year	2.645%

Source: OCBC, Bloomberg

Credit Headlines:

Perennial Real Estate Holdings Ltd (“PREH”): PREH has entered into a JV with Beijing Hospital of Traditional Chinese Medicine to set up Ming Yi Guan at the House of Tan Yeok Nee, positioned as a premier TCM treatment centre. We think that the contribution from the opening of the centre will be marginal as its NLA is only 29,912 sq ft, in comparison to Perennial’s Singapore portfolio NLA of 1.8mn sq ft. (Company, OCBC)

Singapore Telecommunications Ltd (“SingTel”): SingTel announced that it has received the green light to list NetLink Trust. NetLink Trust is a 100%-owned associate of SingTel, which designs, builds, owns and operates the passive infrastructure for Singapore’s Next Generation Nationwide Broadband Network (“NextGen NBN”). As mentioned in our [New Credit Review of SingTel on 20 April 2017](#), we expect the divestment to provide SingTel with a slight boost in liquidity – as we note the assets sold to NetLink Trust in Sep 2011 was worth SGD1.89bn. (Company, OCBC)

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