

Aug 7, 2017

Credit Headlines (Page 2 onwards): Gallant Venture Ltd, Sabana Shari'ah Compliant Industrial, Chip Eng Seng Corp Ltd

Market Commentary: The SGD swap curve bull-flattened last Friday, with swap rates trading 2-3bps lower across all tenors. Flows in SGD corporates were heavy, with mixed interest seen in OLAMSP 5.5%-PERPs, BAERVX 5.65%-PERPs, HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corporates traded little changed at 187bps. Similarly, the yield on JACI HY Corp traded little changed at 6.99%. 10y UST yields rose 4bps to 2.26% on Friday, after better-than-expected employment data caused the US Treasury yield curve to bear-steepen.

New Issues: China Huiyuan Juice Group Ltd has scheduled investor meetings for potential USD bond issuance from 7 Aug. The expected issue ratings are 'NR/B1/B+'.

Rating Changes: S&P has affirmed Hutchison Port Holdings Trust (HPHT) 'BBB+' corporate credit rating and issuer ratings on its senior unsecured notes, while revising the outlook to positive from stable. The rating action on HPHT follows the same rating action on the company's ultimate parent, CK Hutchison Holdings Ltd (CKHH). Moody's assesses HPHT as a strategically important member of CKHH. The positive outlook on CKHH reflects Moody's expectation that the group's financial performance is likely to remain strong despite volatile global economic conditions and rising interest rates. Moody's has upgraded RWH Finance Pty Ltd's (RWH) backed senior unsecured rating to 'A2' from 'Baa2'. The outlook is stable. The rating action reflects Moody's expectation that RWH's financial flexibility will materially strengthen after refinancing. Moody's has withdrawn Geo Coal International Pte Ltd's (Geo Coal) 'B2' backed senior unsecured ratings. This follows the unsuccessful issuance of Geo Coal's proposed USD bond issue. Moody's has withdrawn China ZhengTong Auto Services Holdings Ltd's 'B1' corporate family rating with a stable outlook. Moody's stated that it has withdrawn the rating for its own business reason.

Table 1: Key Financial Indicators

	7-Aug	1W chg (bps)	1M chg (bps)		7-Aug	1W chg	1M chg
iTraxx Asiax IG	80	-2	-10	Brent Crude Spot (\$/bbl)	52.39	-0.49%	12.16%
iTraxx Sovx APAC	19	0	-4	Gold Spot (\$/oz)	1,258.23	-0.88%	3.78%
iTraxx Japan	41	0	-1	CRB	180.68	-0.79%	4.71%
iTraxx Australia	76	-1	-10	GSCI	384.51	-0.92%	5.20%
CDX NA IG	58	1	-4	VIX	10.03	-2.53%	-10.37%
CDX NA HY	108	0	1	CT10 (bp)	2.267%	-2.69	-11.83
iTraxx Eur Main	52	-1	-6	USD Swap Spread 10Y (bp)	-4	1	0
iTraxx Eur XO	231	-4	-27	USD Swap Spread 30Y (bp)	-32	2	-1
iTraxx Eur Snr Fin	51	0	-5	TED Spread (bp)	24	1	-2
iTraxx Sovx WE	6	1	-1	US Libor-OIS Spread (bp)	15	0	1
iTraxx Sovx CEEMEA	42	-5	-18	Euro Libor-OIS Spread (bp)	3	0	0
					7-Aug	1W chg	1M chg
				AUD/USD	0.794	-0.80%	4.45%
				USD/CHF	0.972	-0.48%	-0.78%
				EUR/USD	1.180	-0.39%	3.46%
				USD/SGD	1.360	-0.36%	1.62%
Korea 5Y CDS	58	1	-4	DJIA	22,093	1.20%	3.17%
China 5Y CDS	64	0	-9	SPX	2,477	0.19%	2.13%
Malaysia 5Y CDS	80	-1	-9	MSCI Asiax	657	0.10%	5.90%
Philippines 5Y CDS	70	-1	-10	HSI	27,683	1.31%	9.24%
Indonesia 5Y CDS	110	-2	-14	STI	3,325	-0.12%	2.99%
Thailand 5Y CDS	61	-1	-5	KLCI	1,776	0.88%	0.89%
				JCI	5,798	-0.74%	-0.29%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
3-Aug-17	Vedanta Resources Plc	'B+/B3/NR'	USD1bn	7NC4	6.125%
3-Aug-17	PT Gajah Tunggal Tbk	'B-/Caa1/NR'	USD250mn	5NC3	8.375%
3-Aug-17	Canara Bank	'NR/Baa3/BBB-'	USD400mn	5-year	CT5+150bps
3-Aug-17	eHi Car Services Ltd	'BB-/NR/BB-'	USD400mn	5NC3	5.875%
2-Aug-17	Ascendas REIT	'NR/A3/A3'	SGD200mn	6-year	2.47%
2-Aug-17	Sunac China Holdings Ltd	'B/B3/BB-'	USD400mn	3-year	7.25%
1-Aug-17	Sunac China Holdings Ltd	'B/B3/BB-'	USD600mn	5NC3	8.2%
1-Aug-17	New Metro Global Ltd	'NR/Ba3/BB-'	USD200mn	5NC3	5.25%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's has assigned China Huiyuan Juice Group Limited (Huiyuan) a corporate family rating and senior unsecured rating of 'B1'. The rating action reflects the company's leading position, strong brand name and improved profitability. The rating also takes into account Huiyuan's vertically integrated business operations, which allows it to control the entire value chain. However, Huiyuan has been experiencing working capital outflows and heavy capital expenditures in the last two years, which has weakened the company's free cash flow.

Credit Headlines:

Gallant Venture Ltd ("GALV"): GALV has announced that it has fully redeemed the outstanding SGD61.75mn in aggregate principal amount of the GALVSP 7.0%'17 at maturity. Earlier, SGD13.25mn in aggregate principal amount had been repurchased and cancelled. (Company)

Sabana Shari'ah Compliant Industrial REIT ("SSREIT"): News outlets have reported that Warburg Pincus-backed e-Shang Redwood ("ESR") is in advanced talks to buy SSREIT. ESR is the Sponsor of ESR REIT (formerly Cambridge REIT) and hold ~12% in ESR REIT. The reports added that ESR has been conducting due diligence on SSREIT though the terms of the deal has not yet been agreed. (Reuters)

Chip Eng Seng Corp Ltd ("CES"): CES reported 2Q2017 results. Revenue declined 9.3% y/y to SGD212.6mn and net profit declined 70.4% y/y to SGD5.1mn. The fall in y/y revenue is mainly due to the decline in property development revenue (-8.2% y/y to SGD141.8mn) with the absence of divestment in Victoria Street in 2Q17, while construction revenue also declined by 13.8% y/y to SGD60.7mn. The larger fall in profits is due to a decline in gross profit (-32% y/y to SGD36.1mn), which is likely due to the change in product mix. Nevertheless, property sales did well, with units sold improving at Grandeur Park Residences (1Q17: 71.9%) to 78.4% and Fulcrum to 89.1% (1Q17: 78.9%) while sales at Willow Apartments in Australia similarly improved further to 67.2% (1Q17: 57.8%). Construction orderbook also increased to SGD538.4mn as of end 2Q17 (1Q17: SGD457.2mn) as CES won the bid for Bidadari for SGD110.8mn. With the increase in number of units sold and progress billings received from buyers, net gearing declined to 82% (1Q17: 89%). However, if we were to take into consideration the acquisition of the site at Woodleigh and the recent acquisition of a Grade A office building in New Zealand, net gearing is expected to increase to around 1.4x. We continue to hold CES at a Neutral Issuer Profile, albeit precariously due to its aggressive profile, as we believe that the recovery in the property market will help CES move more units at Grandeur Park and Fulcrum. (Company, OCBC)

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