

February 7, 2017

Credit Headlines (Page 2 onwards): Sabana Shari'ah Compliant REIT, First Sponsor Group Ltd., CK Hutchison Holdings Ltd., Olam International Ltd., Wing Tai Holdings Ltd.

Market Commentary: The SGD dollar swap curve bull-flattened yesterday, with swap rates trading 2-5bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in GUOLSP 4%'22s, BAERVX 5.9%'49s, and mixed interest in GENSSP 5.13%'49s, SCISP 4.75%'49s. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 197bps while the yield on JACI HY Corporates fell 3bps to 6.81%. 10y UST yield fell 6bps to 2.41% to the lowest in about two weeks, as investors stay cautious and await clarification on the timing and scope of promised pro-growth policies from Trump administration.

Market Commentary: ReNew Power Ventures Pvt Ltd. priced a USD475mn 5NC3 bond at 6%, tightening from initial guidance of 6.375%. The expected issue ratings are 'NR/Baa3/B+'. PT Bukit Makmur Mandiri Utama priced a USD350mn 5NC3 at 8%, tightening from initial guidance of 8.375%. The expected issue ratings are 'NR/Baa3/BB-'. Shanghai Pudong Development Bank Co. Ltd. priced a USD500mn 3-year bond at CT3+107.5bps, tightening from initial guidance of CT3+135bps. The expected issue ratings are 'NR/Baa2/NR'. China Singyes Solar Technologies Holdings Ltd. scheduled investor roadshows on 7 February for potential USD bond issuance. Pakuwon Jati Tbk PT also scheduled investor roadshows from 6 February for potential USD bond issuance.

Rating Changes: Moody's upgraded the issuer and senior unsecured ratings of SK Innovation Co. Ltd. (SKI) and SK Global Chemical Co. Ltd (SKG) to 'Baa1' from 'Baa2'. The outlook was changed to stable from positive. The rating action reflects Moody's expectation that SKI's improved financial profile will be maintained over the next 1-2 years due to lower debt and solid operating cash flow which should mitigate against potentially higher investments. The rating action on SKG reflects the rating action on SKI given SKG is fully owned by SKI.

Table 1: Key Financial Indicators

	7-Feb	1W chg (bps)	1M chg (bps)		7-Feb	1W chg	1M chg
iTraxx Asiax IG	108	-6	-8	Brent Crude Spot (\$/bbl)	55.90	0.36%	-2.10%
iTraxx SovX APAC	30	-2	-4	Gold Spot (\$/oz)	1,232.77	1.82%	4.37%
iTraxx Japan	54	0	-2	CRB	192.16	0.47%	-0.71%
iTraxx Australia	92	-1	-6	GSCI	396.76	0.83%	-0.36%
CDX NA IG	65	-1	0	VIX	11.37	-4.29%	0.44%
CDX NA HY	107	1	1	CT10 (bp)	2.393%	-6.01	-2.63
iTraxx Eur Main	74	0	5	USD Swap Spread 10Y (bp)	-6	3	7
iTraxx Eur XO	296	-5	7	USD Swap Spread 30Y (bp)	-40	2	9
iTraxx Eur Snr Fin	91	1	4	TED Spread (bp)	54	1	6
iTraxx Sovx WE	24	2	3	US Libor-OIS Spread (bp)	36	1	2
iTraxx Sovx CEEMEA	69	-6	-9	Euro Libor-OIS Spread (bp)	2	0	-1
					7-Feb	1W chg	1M chg
				AUD/USD	0.765	0.91%	4.08%
				USD/CHF	0.992	-0.29%	2.34%
				EUR/USD	1.073	-0.63%	1.48%
				USD/SGD	1.412	-0.18%	1.70%
Korea 5Y CDS	45	-3	-2	DJIA	20,052	0.41%	0.44%
China 5Y CDS	105	-7	-10	SPX	2,293	0.51%	0.68%
Malaysia 5Y CDS	124	-10	-9	MSCI Asiax	554	1.45%	5.06%
Philippines 5Y CDS	91	-8	-11	HSI	23,326	-0.15%	3.66%
Indonesia 5Y CDS	143	-10	-11	STI	3,068	0.68%	3.54%
Thailand 5Y CDS	69	-6	-6	KLCI	1,689	0.16%	0.81%
				JCI	5,385	1.71%	0.71%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
6-Feb-17	ReNew Power Ventures Pvt Ltd.	"NR/Baa3/B+"	USD475mn	5NC3	6%
6-Feb-17	PT Bukit Makmur Mandiri Utama	"NR/Baa3/BB-"	USD350mn	5NC3	8%
6-Feb-17	Shanghai Pudong Development Bank Co. Ltd.	"NR/Baa2/NR"	USD500mn	3-year	CT3+107.5bps
25-Jan-17	China Water Affairs Group Ltd.	"BB+/Ba1/NR"	USD300mn	5NC3	5.5%
25-Jan-17	Jain International Trading BV	"B+/NR/B+"	USD200mn	5NC3	7.375%
24-Jan-17	Vedanta Resources Plc	"B+/B3/NR"	USD1bn	5.5-year	6.375%
24-Jan-17	Fujian Zhonglong Group Co. Ltd. (re-tap)	"NR/NR/BB+"	USD150mn	3-year	4.8%
23-Jan-17	Industrial Bank of Korea	"AA-/Aa2/AA-"	USD300mn	3-year	CT3+85bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd):

S&P affirmed Hanesbrands Inc.'s (Hanesbrands) 'BB' corporate credit rating and issue rating on each tranche of the company's unsecured debt obligations. In addition, S&P also affirmed the 'BBB-' issue ratings on Hanesbrands' first-lien facilities, and revised its outlook on Hanesbrands Inc. to stable from negative. The rating changes stem from S&P's forecast that Hanesbrands' financial leverage will strengthen to comfortably below 4x in 2017 following a temporary spike in debt in 2016.

Credit Headlines:

Sabana Shari'ah Compliant REIT ("SSREIT"): Originally, SSREIT intended to use ~SGD76.8mn of the proceeds from its December 2016 rights issue towards partially funding the acquisition of three properties in Singapore. The completion of the acquisitions are subject to SSREIT's receipt of regulatory approvals and in the case of 47 Changi South Avenue 2, unitholder's approval. SSREIT has announced that as the acquisitions are only expected to be completed before end-2Q2017, the REIT Manager has elected to utilize the gross proceeds from the rights issue for the following (i) SGD60mn to go towards repaying an existing SGD75mn debt facility due in August 2017 (ii) SGD16.5mn to be placed in short-term deposits (iii) SGD2.5mn to pay commissions, expenses and fees in relation to the rights issue. The December acquisitions are expected to be funded by a combination of existing borrowings, new borrowings, existing cash balances and the sale proceeds from the proposed divestment of 218 Pandan Loop. We are maintaining SSREIT's Negative Issuer Profile and are Underweight the curve until we have more clarity over SSREIT's on-going strategic review. (Company, OCBC)

First Sponsor Group Ltd. ("FSG"): FSG has announced its unaudited FY2016 financials. FSG reported a 11.7% decline in full year revenue to SGD189.7mn (FY2015: SGD215mn) largely from lower revenue from property financing (down SGD26.7mn) and a slight decline in revenue from sale of properties (down SGD3.3mn) which was partially offset by increase in rental income from investment properties (up SGD3.7mn). As a result of declines in the high margin property financing business, FSG's gross profit was lower at 24% versus 43% in FY2015. FSG recorded other gains of SGD98.3mn, of which ~SGD97.3mn was attributable to dilution of its interest in the Star of East River Project in Dongguan to China Vanke Co. Ltd and Regent Land Investment Holdings Limited (owned by the CEO of FSG's Guangdong operations). Share of after-tax profit of associates was SGD12.3mn, up from a negligible sum in FY2015 (driven by disposal of non-core properties in the Netherlands and fair value gain on investment properties). These factors help bumped profit before tax up to SGD118.4mn (FY2015: SGD68.3mn). Nevertheless, FSG reported other comprehensive loss of SGD51.5mn, led by foreign translation loss of SGD45.2mn. As at 31 December 2016, gross debt-to-equity was 35%, decreasing from 49% as at 31 December 2015. We are currently reviewing the issuer profile of FSG. (Company, OCBC)

CK Hutchison Holdings Ltd. ("CKHH"): PCCW Ltd has agreed to sell Transvision Investments Limited and UK Broadband Limited (operator of Relish wireless brand) to Three (owned by CKHH). According to a media article, UK Broadband is a loss-making unit of PCCW. Under the proposed deal, PCCW will be paid ~HKD2.9bn (of which HKD2.4bn will be paid in cash and the balance to be paid via the issuance of two credit vouchers amounting to HKD243mn). We see this transaction as credit neutral given the small scale of the transaction to CKHH. (PCCW, The Telegraph)

Olam International Ltd. ("OLAM"): To date, OLAM has not issued a notice to call on its SGD OLAMSP 7% '49c17 perpetual. We understand from management that there is still intention to do so. Based on the perpetual documentation, Olam can do so at its next distribution date in September 2017. We are keeping this SGD perpetual at Neutral and recommend a Hold given the 7% p.a perpetual distribution rate which is higher than OLAM's market-implied cost of funding. (Company, OCBC)

Credit Headlines (Cont'd):

Wing Tai Holdings Ltd. ("WINGTA"): WINGTA reported 1HFY2017 results yesterday. 1HFY2017 revenue fell 55% y/y to SGD131.1mn without the recognition of revenue from the units sold last year (Le Nouvel Ardmore, The Lakeview, Phase 2 of Jesselton Hills), while the revenues in 1HFY2017 were mainly due to The Tembusu, Verticas Residences and Nobleton Crest. 2QFY2017 results saw a similar decline in revenues by 50% to 60.9mn, though profits increased by 12% to SGD4.2mn. This is mainly due to higher profits from its associated companies and JVs including Wing Tai Properties Ltd in Hong Kong and Uniqlo in Singapore and Malaysia. Meanwhile, WINGTA continues to pay down its debt, with net gearing inching down to 3.3% (1QFY2017: 5.0%). The lower net gearing is also partly attributable to an expanded equity base due to SGD76mn in translation gains, due to the increase in HKD against SGD for Wing Tai Properties. Going forward, we expect a higher contribution from China as WINGTA has sold about 90% of the 138 units launched in Malaren Gardens, which is a residential development with 301 units. Even while WINGTA boast of a very healthy balance sheet, we maintain a Neutral Issuer Profile as profitability remains subdued amidst the weak property market. (Company, OCBC)

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