

February 9, 2017

Credit Headlines (Page 2 onwards): OUE Limited/International Highway Corp/Oxley Holdings Limited, AIMS AMP Capital Industrial REIT

Market Commentary: The SGD dollar swap curve was range-bound yesterday, with the short and medium-term tenors trading 1-2bps higher, while the longer end of the swap curve traded 1-2bps lower. Flows in SGD corporates were heavy, with better buying seen in GUOLSP 4%'22s, SOCGEN 4.3%'26s, GENSSP 5.13%'49s, BAERVX 5.9%'49s, ABNANV 4.75%'26s, and better selling in OCBCSP 3.8%'49s, SCISP 4.75%'49s, OLAMSP 4.25%'19s. In the broader dollar space, the spread on JACI IG Corporates held steady at 197bps while the yield on JACI HY Corporates fell further by 4bps to 6.74%. 10y UST yield fell for the fourth day straight, by 5bps to 2.34%, after strong demand at European government bond sales prompted traders to cover short positions ahead of the U.S Treasury's 10-year note auction and as US inflation expectations ease.

Market Commentary: China Singyes Solar Technologies Holdings Ltd. priced a USD260mn 2-year bond at 7.95%, tightening from initial guidance of 8.5%. Pakuwon Prime Pte. Ltd. (guaranteed by Indonesian property company PT Pakuwon Jati Tbk and certain of its subsidiaries) priced a USD250mn 7NC4 bond at 5%, tightening from initial guidance of 5.25%. The expected issue ratings are 'BB/Baa3/BB-'. Sumitomo Mitsui Financial Group priced a USD470mn 30NC10 TLAC bond at 4.3%.

Rating Changes: Moody's has affirmed the Republic of Indonesia's 'Baa3' issuer rating and senior unsecured bond rating, as well as its '(P)Baa3' senior unsecured MTN program rating. In addition, Moody's revised the outlook on Indonesia's government ratings to positive from stable. The rating action reflects the "emerging signs of a reduction in structural constraints on Indonesia's rating, including its level of external vulnerability and the strength of its institutions".

Table 1: Key Financial Indicators

	9-Feb	1W chg (bps)	1M chg (bps)		9-Feb	1W chg	1M chg
iTraxx Asiax IG	109	-2	-7	Brent Crude Spot (\$/bbl)	55.27	-2.28%	0.60%
iTraxx SovX APAC	30	-3	-5	Gold Spot (\$/oz)	1,239.80	1.96%	4.97%
iTraxx Japan	54	0	-1	CRB	192.26	-1.07%	0.87%
iTraxx Australia	92	-1	-6	GSCI	398.78	-0.73%	2.12%
CDX NA IG	67	1	1	VIX	11.45	-3.05%	-0.95%
CDX NA HY	107	1	1	CT10 (bp)	2.340%	-13.39	-2.49
iTraxx Eur Main	76	4	7	USD Swap Spread 10Y (bp)	-7	2	6
iTraxx Eur XO	303	6	13	USD Swap Spread 30Y (bp)	-42	0	7
iTraxx Eur Snr Fin	95	6	7	TED Spread (bp)	50	-2	0
iTraxx Sovx WE	24	1	4	US Libor-OIS Spread (bp)	36	2	2
iTraxx Sovx CEEMEA	71	-3	-7	Euro Libor-OIS Spread (bp)	2	0	-1
					9-Feb	1W chg	1M chg
				AUD/USD	0.762	-0.47%	3.64%
				USD/CHF	0.996	-0.33%	1.94%
				EUR/USD	1.069	-0.69%	1.05%
				USD/SGD	1.417	-0.39%	1.37%
Korea 5Y CDS	47	1	0	DJIA	20,054	0.82%	0.84%
China 5Y CDS	107	-3	-8	SPX	2,295	0.66%	1.14%
Malaysia 5Y CDS	125	-4	-8	MSCI Asiax	554	1.06%	5.23%
Philippines 5Y CDS	93	-4	-9	HSI	23,533	1.50%	4.32%
Indonesia 5Y CDS	141	-7	-13	STI	3,077	1.09%	3.21%
Thailand 5Y CDS	68	-3	-6	KLCI	1,689	1.01%	1.24%
				JCI	5,361	0.64%	0.84%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
8-Feb-17	China Singyes Solar Technologies Holdings Ltd.	Not Rated	USD260bn	2-year	7.95%
8-Feb-17	Pakuwon Prime Pte. Ltd.	"BB/Baa3/BB-"	USD250mn	7NC4	5%
8-Feb-17	Sumitomo Mitsui Financial Group	Not Rated	USD470mn	30NC10	4.3%
7-Feb-17	Bank of China Ltd (Hong Kong Branch)	"A/A1/A"	USD1.2bn	3-year	3mL+77bps
7-Feb-17	Bank of China Ltd (Hong Kong Branch)	"A/A1/A"	USD300mn	3-year	CT3+105bps
7-Feb-17	Bank of China Ltd (Hong Kong Branch)	"A/A1/A"	USD500mn	5-year	CT5+115bps
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%

Source: OCBC, Bloomberg

Credit Headlines:

OUE Limited (“OUE”) / International Healthway Corp (“IHC”) / Oxley Holdings Limited (“Oxley”): On 08/02/17, OUE announced that it had acquired more shares in IHC, increasing its collective stake by 154,113,950 shares to 21.8% of IHC. OUE had purchased its stake at SGD0.077 per share. This was the same price that OUE paid for the initial 12.5% stake purchased on 23/01/17. This would make OUE the largest shareholder of IHC, though collectively Mr Ching Chiat Kwong and Mr Low See Ching (of Oxley) are still larger at 26.3%. A possible party which OUE purchased the share from could be Mr Fan Kow Hin, the former largest shareholder of IHC, who sold 159,544,258 shares via an off-market transaction (written confirmation on the transaction was received on /1/02/17) at SGD0.077 per share. At this point, OUE has invested SGD27.9mn for its IHC stake. That said the investment size remains small relative to OUE's balance sheet and hence will not impact OUE's credit profile. OUE continues to state that the IHC stake is an investment opportunity. It should be noted that on 07/02/17, other entities controlled by OUE's controlling shareholders the Riady family have made an offer for a controlling stake in Healthway Medical Corp (a former acquisition target of IHC). We will continue to monitor the situation closely. (Company, OCBC, STS)

AIMS AMP Capital Industrial REIT (“AAREIT”): AAREIT announced its financials for the 9 months ending 31 December 2016 (“9MFY2017”). Revenue was down 4.9% to SGD89.5mn mainly due to lower rental contributions from 4 properties and loss in revenue due to the redevelopment of 8 & 10 Tuas Avenue 20. This was partially offset by higher rental and recoveries for the property at 29 Woodlands Industrial Park. Despite the fall in revenue, net property income margin held relatively steady at 66%. Headline EBITDA/Interest was healthier at 3.9x (9M2016: 3.7x), driven by lower interest costs from the new SGD100mn 4-year term loan facility (used to redeem the SGD100mn unsecured bond which matured in August 2016). AAREIT records ~SGD14mn p.a from its 49% stake in Optus Centre (Australia). Including this amount, we find adjusted EBITDA/Interest higher at 4.6x against 4.4x in 9M2016. As at 31 December 2016, AAREIT's aggregate leverage was slightly higher at 34.6% (31 March 2016: 32.4%), this was largely due to drawdown to fund the redevelopment of 30 & 32 Tuas West Road (TOP in December 2016 and Master Leased to CWT Limited). Assuming AAREIT's ongoing redevelopment of 8 & 10 Tuas Avenue and greenfield BTS in Marsiling is debt-funded, we expect aggregate leverage to rise to ~38%. As at 31 December 2016, AAREIT faces 31.7% of leases (by rental income) that will come due in the next 15 months. AAREIT's lease expiry profile puts it at risk for further downward revisions in rental rates. In 3QFY2017, 19 new/renewal leases were signed representing ~13% of net lettable area, per company's disclosures, weighted rental reversions which considers renewal leases with the same tenant of the same lease area was negative 13.6%. We think this is reflective of AAREIT prioritizing occupancy over lease rates (31 December 2016 occupancy: 94%). We are keeping AAREIT's issuer profile on Neutral on account of its still defensive credit profile which we think helps AAREIT in weathering through the overall weaker industrial REIT sector. (Company, OCBC)

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