

February 1, 2018

Credit Headlines (Page 2 onwards): AIMS AMP Capital Industrial REIT, Chip Eng Seng Corp Ltd, OUE Ltd

Market Commentary: The SGD swap curve flattened lower yesterday, with swap rates trading 2-6 bps lower across the curve. Flows in SGD corporates were heavy yesterday, with better buying seen in CACHE 5.5%-PERPs and better selling seen in HSBC 4.7%-PERPs. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 108bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 330bps. 10Y UST yields fell 1.5bps to 2.71%, after the Fed set the stage for a March rate increase. The central bank hinted that the economy will warrant further gradual increases in rates, acknowledging stronger growth and confidence that inflation will rise to its 2% target.

New Issues: Zhongtai International Finance (BVI) Company Ltd has priced its USD200mn 364-day note (guaranteed by Zhongtai Securities Co Ltd, keepwell deed provider: Zhongtai Securities Co Ltd) at 4.1%, in line with final guidance and tightening from its initial guidance of 4.25%. Development Bank of Mongolia LLC is said to be planning a potential USD bond issuance.

Rating Changes: S&P has affirmed Qingdao Conson Development (Group) Co Ltd's 'BBB' long-term corporate credit rating and senior unsecured notes. The outlook is negative. The rating action reflects S&P's view on the credit profile of the Qingdao government, which is constrained by the city's weak budgetary performance and very high debt burden. S&P has affirmed Hongkong International (Qingdao) Co Ltd's (QCCI HK) 'BBB-' rating for its senior unsecured notes. The outlook has been revised to negative from stable. The rating action reflects S&P's view that the credit quality of Qingdao's government is weakening. S&P has also affirmed Qingdao City Construction Investment (Group) Ltd's (QCCI) 'BBB' rating for its senior unsecured notes. The outlook has been revised to negative from stable. The rating action also follows the weakening credit quality of Qingdao's government and S&P's view that the local government's financial capacity to provide extraordinary support to QCCI is challenged over the next 24 months. The rating on QCCI

Table 1: Key Financial Indicators

	1-Feb	1W chg (bps)	1M chg (bps)		1-Feb	1W chg	1M chg
iTraxx Asiax IG	65	1	-2	Brent Crude Spot (\$/bbl)	68.95	-2.09%	3.11%
iTraxx SovX APAC	11	1	-2	Gold Spot (\$/oz)	1,343.82	-0.33%	3.15%
iTraxx Japan	43	1	-2	CRB	197.38	-1.07%	1.81%
iTraxx Australia	57	2	-1	GSCI	456.53	-1.05%	3.19%
CDX NA IG	47	1	-2	VIX	13.54	18.05%	22.64%
CDX NA HY	108	0	0	CT10 (bp)	2.728%	11.05	32.21
iTraxx Eur Main	44	0	-1	USD Swap Spread 10Y (bp)	3	1	5
iTraxx Eur XO	238	7	5	USD Swap Spread 30Y (bp)	-12	3	8
iTraxx Eur Snr Fin	42	0	-2	TED Spread (bp)	32	0	0
iTraxx Sovx WE	19	0	-4	US Libor-OIS Spread (bp)	24	0	-3
iTraxx Sovx CEEMEA	32	-1	-1	Euro Libor-OIS Spread (bp)	1	-1	2
					1-Feb	1W chg	1M chg
				AUD/USD	0.806	0.36%	3.20%
				USD/CHF	0.931	1.01%	4.69%
				EUR/USD	1.242	0.21%	3.41%
				USD/SGD	1.311	-0.08%	1.91%
Korea 5Y CDS	49	4	-3	DJIA	26,149	-0.39%	5.79%
China 5Y CDS	54	4	4	SPX	2,824	-0.48%	5.62%
Malaysia 5Y CDS	58	3	-1	MSCI Asiax	767	-0.29%	7.54%
Philippines 5Y CDS	59	3	0	HSI	33,006	1.08%	10.32%
Indonesia 5Y CDS	81	2	-4	STI	3,539	-0.94%	4.00%
Thailand 5Y CDS	42	1	-4	KLCI	1,869	1.66%	3.99%
				JCI	6,646	0.46%	4.56%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
31-Jan-18	Zhongtai International Finance (BVI) Company Ltd	Not rated	USD200mn	364-day	4.1%
29-Jan-18	Yes Bank Ltd	'NR/Baa3/NR'	USD600mn	5-year	CT5+130bps
29-Jan-18	Poly Real Estate Finance Ltd	'BBB-/Baa3/BBB'	USD500mn	5-year	CT5+155bps
25-Jan-18	Roshine China Holdings Ltd	'NR/NR/B+'	USD325mn	3-year	9%
25-Jan-18	Tsinghua Unic Ltd	Not rated	USD200mn	10-year	6.875%
25-Jan-18	Tsinghua Unic Ltd	Not rated	USD750mn	5-year	5.75%
25-Jan-18	Tsinghua Unic Ltd	Not rated	USD900mn	3-year	5.125%
25-Jan-18	FWD Ltd	'NR/Baa2/BB+'	USD200mn	Perp NC5	5.5%
25-Jan-18	Export-Import Bank of India	'NR/Baa2/BBB-'	USD1bn	10-year	CT10+125bps

Source: OCBC, Bloomberg

Rating Changes (cont'd) : reflects S&P's view that QCCI HK will remain highly strategic to its parent over the next 12 months. Moody's has raised Sydney Airport Finance Co Ltd's senior secured debt rating and bank credit facility rating to 'Baa1' from 'Baa2'. The outlook has been revised to stable from positive. The rating action reflects Moody's expectation that the ongoing earnings growth from increased passenger volumes will result in the airport's credit metrics exceeding the previous 'Baa2' rating parameters. The rating action also reflects increased visibility around the airport maintaining its existing practice of increasing debt to fund capital expenditure and Moody's expectations that the airport will not undertake share-holder friendly initiatives which would increase financial leverage beyond the rating expectation. Moody's has assigned an 'A3' issue rating to Nidec Corporation. The outlook is stable. The rating action reflects Nidec's well-diversified electric motor business portfolio with a substantial market presence as well as its strong financial profile. Its core motor technology has enabled Nidec to generate stable cash flow, mitigating volatility in any one-end market. Fitch has lowered Noble Group's (Noble) Long-Term Foreign-Currency Issuer Default Rating ('IDR') and the ratings on all its outstanding senior unsecured notes to 'C' from 'CC' in response to Noble's debt restructuring plan announced earlier this week which Fitch views as a distressed debt exchange. Fitch indicated that the IDR will be lowered when the restructuring is complete and then re-rated depending on the final form of Noble's capital structure and credit profile.

Credit Headlines:

AIMS AMP Capital Industrial REIT ("AAREIT"): AAREIT reported its results for the nine months for the fiscal year ending March 2018 ("9MFY2018"). Gross revenue for AAREIT declined 0.7% y/y to SGD88.9mn mainly due to lower rental from 20 Gul Way (as part of the property is now under multi-tenancy leases) as well as due the master lease at 3 Tuas Avenue 2 expiring. The decline in rents from these two properties was partly offset by rental contribution from 30 Tuas West Road (redevelopment completed in December 2016) and 8 Tuas Avenue 20 (achieved TOP on 29 August 2017 and occupancy has risen q/q to 83.7% from 43.4%). Borrowing costs increased 4.6% y/y to SGD14.6mn mainly due to the completion of developments at 30 Tuas West Road, 8 Tuas Avenue 20 and 51 Marsiling Road (greenfield development project for Beyonics). Interest costs for these were previously capitalised when the buildings were under development but post-completion, these costs are now expensed. EBITDA (based on our calculation which does not include other income and other expenses) was SGD53.2mn in 9MFY2018, down 1.3% y/y, leading to a decrease in EBITDA/Interest coverage of 3.7x (9MFY2017: 3.9x). AAREIT holds a 49%-stake in a joint venture that owns Macquarie Park (Sydney, Australia) and in 9MFY2018, AAREIT received SGD11.8mn from this joint venture. Including this contribution, we find adjusted EBITDA/Interest healthy at 4.5x, though down from 4.7x in 9MFY2017. As at 31 December 2017, reported aggregate leverage was 33.8%, down significantly from 37.3% as at 30 September 2017. In November 2017, AAREIT had completed an equity private placement to raise SGD55mn. Net proceeds from the private placement was used to repay existing borrowings. As at 31 December 2017, total debt at AAREIT amounted to SGD497.2mn versus SGD546.7mn in the previous quarter (down by 9.1% q/q). AAREIT is in the midst of selling a small property 10 Soon Lee Road for SGD8.2mn (targeted completion by end-March 2018) and we see minimal impact from this sale. We see AAREIT's ability to raise further secured debt as more constrained versus its peers. As at 31 December 2017, secured debt makes up 74% of total debt (representing 25% of total asset). Short term debt due in the next 12 month is manageable at only SGD77.0mn (due in November 2018). While cash balance is low (typical of REITs), AAREIT has undrawn committed facilities of SGD134.8mn and we see refinancing risk as low. Portfolio occupancy at AAREIT has reduced 0.4ppt to 88.4% as at 31 December 2017. This is 0.5 ppt lower than the overall industrial space occupancy rate of 88.9%. Per AAREIT data, its hi-tech/industrial and manufacturing segment was a laggard with occupancy of 82.7% against sector performance of 86.5%. We maintain AAREIT's issuer profile at Neutral(4). (Company, OCBC)

Chip Eng Seng Corp Ltd ("CES"): CES has been awarded a SGD168mn contract by Housing & Development Board for a design and build contract at Sengkang Neighbourhood 4 Contract 39 & 40. (Company)

Credit Headlines (cont'd) :

OUE Ltd ("OUE") / OUE Commercial Real Estate Investment Trust ("OUECT"): OUECT had announced 4Q2017 results. As OUE consolidates OUECT results, it is worth considering how OUECT's 4Q2017 may have impacted OUE's credit profile. The first would be OUECT booking strong revaluation gains of SGD101.6mn on its portfolio. Though all three assets booked gains, the biggest was at Lippo Plaza, which increased 12.3% to SGD588.9mn (RMB2887.0mn). Aggregate leverage increased q/q though from 36.9% to 37.3% despite revaluation gains due to additional borrowings taken to redeem SGD75mn in convertible perpetual preferred units ("CPPU") in 4Q2017. It is worth noting that OUECT had redeemed a further SGD100mn in CPPU (via additional borrowings) in January 2018, with OUECT guiding aggregate leverage to be 40.3% post the redemption. As such, for 4Q2017, OUE would reflect the SGD101.6mn in revaluation gains and SGD75mn increase in both cash and borrowings (due to the earlier SGD75mn redemption of CPPU). In addition, it is worth noting that OUE had issued SGD200mn in bonds during November 2017. If the previously mentioned factors are considered, and assuming that the cash from the CPPU redemption and bond issue is spent, net gearing would increase to pro-forma ~65% (3Q2017: 61%). For 1Q2018 results, OUE would recognize a further SGD100mn increase in both cash and borrowings (due to the subsequent SGD100mn redemption of CPPU). This would be offset by ITOCHU's SGD79mn equity investment into OUE Lippo Healthcare (refer to [OCBC Asian Credit Daily - 11 January 2018](#)), which is expected to be completed by 10/02/18. OUE's 4Q2017 results are expected to be released over the next few weeks. We currently hold OUE's Issuer Profile at Neutral (4). (Company, OCBC)

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

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