

Apr 23, 2018

Credit Headlines: Capitaland Mall Trust, CMA CGM, Banyan Tree Holdings Limited, National Australia Bank Ltd

Market Commentary

- The SGD swap curve steepened last Friday, with swap rates for the shorter tenors trading 1-5bps higher while the longer tenors traded 5-7bps higher. The 12 year swap rates however traded 2bps lower, resulting in a kink at the belly of the curve.
- Flows in SGD corporates were heavy, with better selling seen in GEMAU 5.5%'19s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 1.26% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 350bps.
- 10Y UST yield rose 5bps to 2.96%, reaching its highest since 2014. This was attributed to upbeat commentary from Fed officials which boosted expectations that Fed will deliver three or possibly four interest rate hikes this year.

Credit Headlines

Capitaland Mall Trust (“CMT”) | Issuer Profile: Neutral (3)

- CMT reported 1Q2018 results, with gross revenue up 1.8% y/y to SGD175.2mn while NPI increased 4.7% y/y to SGD125.7mn. Results were decent, with most of CMT's assets reporting higher y/y property revenue, which management attributed to higher occupancy. This in turn drove NPI higher.
- The exception to trend would be Bedok Mall. Though property revenue was flat y/y, NPI fell 4% to SGD10.1mn. This might have been driven by the negative rental reversion of 6.5% which Bedok Mall saw in 2017. That being said, portfolio rental reversion trends look to be improving, with 1Q2018 portfolio rental reversion at +0.8% (compared to -1.7% seen in 2017). The more challenged assets (in terms of rental reversion) such as Tampines Mall, Westgate and Bedok Mall have shown improvement.
- Portfolio occupancy remains strong at 98.9% (4Q2017: 99.2%). Lease expiry for the balance of 2018 stands at 17.0% of NLA, with largest expiries at Lot One and IMM Building. Areas of concern include shopper traffic (-2.1% y/y) as well as tenant sales (-0.2% y/y).
- Aggregate leverage had improved, falling q/q to 33.5% (4Q2017: 34.2%). Reported interest coverage had also improved to 5.4x (4Q2017: 4.8x). Short-term debt (including share of associates') stands at SGD696.4mn. That said, based on the presentation slides, CMT no longer has any debt due in 2018. 2019 maturities look heavy at SGD619.6mn. The recent divestment of Sembawang Shopping Centre ([OCBC Asian Credit Daily \(19 Apr 2018\)](#)) would help improve CMT's credit profile. We will retain our Neutral (3) Issuer Profile on CMT (Company, OCBC)

CMA CGM (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Neutral (4)

- CMA CGM announced that it will be acquiring a ~25% stake in CEVA Logistics (“CEVA”). CEVA is currently undergoing a USD1.35bn IPO (trading is anticipated on 04/05/18). The investment will be made via CHF380mn – CHF450mn mandatory convertible securities. Assuming the wider end of the range, this means a ~USD460mn investment. CEVA is an existing trade partner of CMA CGM.
- Management disclosed that this is part of CMA CGM's attempt to vertically integrate, as CEVA is a global leader in logistics. CEVA is #5 in contract logistics, and #10 in freight forwarding. CMA CGM will nominate two board seats.
- In our view, the investment would increase pro-forma net gearing from 124% (end-2017) to ~133%. Though CMA CGM's credit profile could deteriorate

Credit Headlines (cont'd):

distinctly, this is balanced against CMA CGM's improving core container liner business. That being said, it should be noted as well that CMA CGM had resumed its capacity expansion, having a new order of nine 22,000 TEU vessels made last year (with commitments for its order book at USD446.9mn for 2018). We will hold CMA CGM at Neutral (4) for now, though we note downside risks depending on CMA CGM's 1H2018 performance (Company, OCBC).

Banyan Tree Holdings Limited ("BTH") | Issuer Profile: Neutral (5)

- Earlier in August 2017, BTH entered into a share placement agreement with a wholly-owned subsidiary of China Vanke Co. Ltd ("VNRKLE") to subscribe for a 5%-stake in BTH. As part of the agreement, VNRKLE was also given rights to subscribe for more shares in the future (beyond the first 5%-stake acquired).
- BTH has announced that the initial option has lapsed on 19 April 2018 and is no longer exercisable by VNRKLE. It is understood that VNRKLE is not exercising the option due to a change in China's regulatory environment which restricts overseas hotel investments by China-based companies.
- As the initial option has lapsed, further rights to purchase shares that were subject to the exercise of the initial option has lapsed as well. These collectively would have allowed VNRKLE to subscribe for up to 10% of enlarged issued share capital of BTH.
- We no longer assume additional cash injection of ~SGD24-25mn in BTH from VNRKLE (effectively, this is no longer a probable source of liquidity).
- For now we continue to hold BTH at an issuer profile of Neutral(5), though will review this post release of BTH's 1Q2018 financials (estimated on 11 May 2018). (Company, OCBC)

National Australia Bank Ltd ("NAB") | Issuer Profile: Positive (2)

- Ahead of the release of its 1HFY2018 results for the period ending March 2018 (scheduled for 3 May 2018), NAB has announced some key impacts to its numbers.
- These impacts primarily relate to inclusion of restructuring related costs of AUD755mn in cash earnings. Such costs were previously flagged in NAB's full year results with expectations that expenses are expected to remain elevated in FY2018 as the bank continues to transform its business to achieve better returns through increased digitization and optimizing its workforce. According to management, these costs relate to workforce reductions in the next 3 years.
- Separately, NAB announced the use of the remaining undrawn indemnity amount of GBP148mn under a capped Conduct Indemnity Deed for CYBG PLC (demerged from NAB in FY2016) for higher provisions for legacy payment protection insurance costs. While reported as part of non-cash earnings in 1HFY2018 results, NAB's common equity Tier 1 ('CET1') ratio is expected to remain unchanged as NAB's CET1 ratio already incorporates the use of the undrawn amount.
- We will await the release of 1HFY2018 results for NAB and its domestic peers to evaluate the impact on earnings and the current issuer profiles. (Company, OCBC)

Table 1: Key Financial Indicators

	23-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	75	0	-4
iTraxx SovX APAC	12	0	-1
iTraxx Japan	51	2	-3
iTraxx Australia	65	0	-3
CDX NA IG	61	-1	-4
CDX NA HY	107	0	1
iTraxx Eur Main	55	0	-5
iTraxx Eur XO	274	-2	-16
iTraxx Eur Snr Fin	57	0	-9
iTraxx Sovx WE	17	-1	-1
AUD/USD	0.768	-1.35%	-0.30%
EUR/USD	1.227	-0.86%	-0.64%
USD/SGD	1.317	-0.54%	-0.17%
China 5Y CDS	59	-1	-7
Malaysia 5Y CDS	73	0	-1
Indonesia 5Y CDS	99	2	-5
Thailand 5Y CDS	45	1	-1

	23-Apr	1W chg	1M chg
Brent Crude Spot (\$/bbl)	73.99	3.60%	5.02%
Gold Spot (\$/oz)	1,333.64	-0.91%	-1.02%
CRB	201.92	1.11%	2.88%
GSCI	473.77	1.99%	4.09%
VIX	16.88	-3.04%	-32.13%
CT10 (bp)	2.970%	14.28	15.60
USD Swap Spread 10Y (bp)	4	0	1
USD Swap Spread 30Y (bp)	-12	1	3
TED Spread (bp)	56	-4	10
US Libor-OIS Spread (bp)	56	-3	-3
Euro Libor-OIS Spread (bp)	2	-1	0
DJIA	24,463	0.42%	3.95%
SPX	2,670	0.52%	3.16%
MSCI Asiax	718	0.08%	0.39%
HSI	30,298	-0.06%	-0.04%
STI	3,580	2.36%	4.63%
KLCI	1,881	0.11%	0.83%
JCI	6,306	0.31%	1.54%

Source: OCBC, Bloomberg

New issues

- mm2 Asia Ltd has priced a SGD50mn 3NC2 bond (guaranteed by Cathay Cineplexes Pte Ltd, mm Connect Pte Ltd, mm2 Entertainment Pte Ltd, mm Plus Pte Ltd and 2mm Pte Ltd) at 7%, in line with its initial price guidance.
- Rizal Commercial Banking has priced a USD150mn re-tap of its RCBPM 4.125%'23 bond at CT5+165bps.
- Yuexiu REIT MTN Co Ltd has priced a USD400mn 3-year bond (guaranteed by HSBC Institutional Trust Services (Asia) Ltd in its capacity as trustee, and with recourse limited to the assets, of Yuexiu Real Estate Investment Trust) at CT3+243bps, tightening from its initial price guidance of CT3+270bps.
- Landsea Green Group Co Ltd has priced a USD150mn 2-year bond (guaranteed by certain of issuer's restricted subsidiaries incorporated outside of the PRC and U.S) at 9.875%, in line with its initial price guidance of high 9% area.
- CNOOC Ltd is said to hire banks for a potential dollar bond issuance.
- State Grid Corp of China has hired banks for its potential USD and EUR bond issuance.
- Asiana Airlines Inc has hired 3 banks for the potential issuance of its offshore hybrid bond.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
20-Apr-18	Landsea Green Group Co Ltd	USD150mn	2-year	9.875%
20-Apr-18	Yuexiu REIT MTN Co Ltd	USD400mn	3-year	CT3+243bps
20-Apr-18	Rizal Commercial Banking	USD150mn	RCBPM 4.125%'23	CT5+165bps
20-Apr-18	mm2 Asia Ltd	SGD50mn	3NC2	7%
19-Apr-18	Stockland Trust Management Ltd	EUR300mn	8-year	MS+85bps
19-Apr-18	China Overseas Finance (Cayman) VII Ltd	USD1.5bn	Multiple	Multiple
19-Apr-18	Envision Energy Overseas Capital Co Ltd	USD300mn	3-year	7.5%
19-Apr-18	Philippine National Bank	USD300mn	5-year + 1-day	CT5+160bps
19-Apr-18	Meiji Yasuda Life Insurance Company	USD1bn	30NC10	5.1%
19-Apr-18	Jiayuan International Group Ltd	USD100mn	JIAYUA 8.125%'19	7.2%
19-Apr-18	ValueMax Group Ltd	SGD50mn	3-year	5.1%
19-Apr-18	Fragrance Group Ltd	SGD125mn	3NC2	6.125%

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "**Relevant Materials**") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "**Relevant Entity**") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID**") and the EU's Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (together referred to as "**MiFID II**"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).