

January 29, 2018

Credit Headlines (Page 2 onwards): City Developments Ltd

Market Commentary: The SGD swap curve bull-steepened last Friday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 3-4bps lower. Flows in SGD corporates were heavy, with better buying seen in BAER 5.75%-PERPs and CACHE 5.5%-PERPs. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS narrowed 1bps to 107bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 2bps to 329bps. 10Y UST yields rose 4.29bps to 2.66%, with a sell-off in treasuries in the belly of the curve.

New Issues: Smooth Tone HK Ltd has scheduled for investor meetings from 29-31 Jan for its potential USD bond issuance (guaranteed by Guangzhou City Construction Investment Group Company Ltd). The expected issuer ratings are 'NR/A3/A'. Inner Mongolia BaoTou Steel Union Co Ltd has scheduled for investor meetings on 29 Jan for its potential USD bond issuance. Korean Air Lines Co Ltd has scheduled for investor meetings on 29 Jan for its potential USD bond issuance. Mongolyn Alt Corp Co Ltd has scheduled for investor meetings from 29 Jan – 2 Feb for its potential USD 5NC3 bond issuance. Rhodium Resources Pte Ltd has scheduled for investors meeting from 29 Jan for its potential USD bond issuance. The expected issue ratings are 'B/NR/B-'.

Rating Changes: Moody's has upgraded the corporate family rating of Yingde Gases Group Co Ltd to 'B1' from 'B3'. The outlook is stable. The rating action reflects Yingde Gases' improved credit and liquidity profile following the successful issuance of the USD500mn notes and supported by the company's continued revenue growth, stable profitability and deleveraging. Fitch has assigned Rhodium Resources Pte Ltd an issuer default rating of 'B-'. The outlook is stable. The rating action reflects its small scale and limited funding flexibility. Funding flexibility is critical for commodity traders due to their highly leveraged balance sheets and commodity cyclicity. This is coupled with the fact that Rhodium's EBITDA is significantly smaller than other Fitch-rated commodity traders. Moody's has assigned a first time 'A3' issue rating to Guangzhou City Construction Co Ltd. The outlook is

Table 1: Key Financial Indicators

	29-Jan	1W chg (bps)	1M chg (bps)		29-Jan	1W chg	1M chg
iTraxx Asiax IG	63	0	-4	Brent Crude Spot (\$/bbl)	70.46	2.07%	5.37%
iTraxx SovX APAC	11	0	-2	Gold Spot (\$/oz)	1,347.57	1.02%	3.44%
iTraxx Japan	43	0	-3	CRB	200.52	2.57%	3.43%
iTraxx Australia	55	0	-3	GSCI	463.45	2.90%	4.75%
CDX NA IG	45	-2	-4	VIX	11.08	-1.69%	0.36%
CDX NA HY	109	0	1	CT10 (bp)	2.684%	3.42	27.88
iTraxx Eur Main	43	-1	-2	USD Swap Spread 10Y (bp)	2	-2	3
iTraxx Eur XO	231	1	-2	USD Swap Spread 30Y (bp)	-14	-3	6
iTraxx Eur Shr Fin	41	-1	-3	TED Spread (bp)	36	4	11
iTraxx Sovx WE	19		-15	US Libor-OIS Spread (bp)	24	0	-2
iTraxx Sovx CEEMEA	33	2	0	Euro Libor-OIS Spread (bp)	1	-1	0
					29-Jan	1W chg	1M chg
				AUD/USD	0.808	0.84%	3.52%
				USD/CHF	0.938	2.57%	3.90%
				EUR/USD	1.239	1.04%	3.21%
				USD/SGD	1.309	0.75%	2.05%
Korea 5Y CDS	46	0	-6	DJIA	26,617	2.09%	7.68%
China 5Y CDS	51	0	1	SPX	2,873	2.23%	7.45%
Malaysia 5Y CDS	55	0	-3	MSCI Asiax	776	2.31%	8.79%
Philippines 5Y CDS	56	0	-2	HSI	33,331	2.89%	11.40%
Indonesia 5Y CDS	79	-2	-6	STI	3,587	0.48%	5.40%
Thailand 5Y CDS	40	0	-5	KLCI	1,862	1.57%	3.63%
				JCI	6,671	2.62%	4.96%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
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
25-Jan-18	BOC Aviation Ltd	'A-/NR/A-'	USD300mn	5-year	CT5+115bps
25-Jan-18	Cache Logistic Trust	Not rated	SGD100mn	Perp NC5	5.5%
24-Jan-18	Central Plaza Development Ltd	'NR/NR/BBB'	USD500mn	3-year	CT3+187.5bps

Source: OCBC, Bloomberg

Rating Changes (cont'd) : stable. The rating action reflects Guangzhou City Construction's strategic significance to Guangzhou city and Moody's expectation that the company will receive support from the Guangdong provincial government. Fitch has upgraded the issuer default rating of state-owned Development Bank of Philippines and Land Bank of the Philippines to 'BBB' from 'BBB-'. The outlooks are stable. The rating action is driven by the upward revision of their Support Rating Floors (SRF). The SRF revisions stem from a reassessment of the government's propensity to support the banks and follow their rating updates in December 2017 to 'BBB-' from 'BB+', reflecting the Philippine sovereign's capacity to support. Both banks have received modest capital infusion from the state to support growth over the past two years

Credit Headlines:

City Developments Ltd ("CDL"): CDL announced that its attempt to acquire the balance of Millennium & Copthorne Hotels Plc (M&C) that it does not already own has fallen through. As previously mentioned, there had been reports that minority shareholders of M&C were not satisfied with the offer. We had opined that CDL's leverage profile may worsen should the MLC transaction go through. As it stands, CDL currently needs to fund the ~SGD723mn for Amber Park acquisition. This would increase 3Q2017 pro-forma net gearing to 21% (from 15%), assuming that the transaction either utilizes CDL's cash balance, or is debt funded. Even then, CDL's credit profile would remain more conservative compared to its peers. 4Q2017 / full-year results are expected on 28/02/18. We will retain our Positive (2) Issuer Profile. (Company, OCBC)

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