

January 31, 2018

Credit Headlines (Page 2 onwards): City Developments Ltd

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates trading 4-8bps higher across most tenors. Flows in SGD corporates were heavy yesterday, with better buying seen in UOBSP 3.5%'29s and better selling seen in ABNANV 4.75%'26s and OLAMSP 6%'22s. 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 rose 2.63bps to 2.72%, after the Conference Board Consumer Confidence Index beat expectations yesterday. The signaling of economic growth coupled with inflation fears have kept yields afloat.

New Issues: Greenland Holdings Group Co Ltd has hired banks for its potential USD bond issuance. The expected issue ratings are 'NR/Baa2/NR'. Huaxin Pharmaceutical (Hong Kong) Co Ltd has scheduled roadshows on 31 Jan for its potential USD bond issuance (guaranteed by Taizhou Huaxin Pharmaceutical Investment Co Ltd). The expected issue ratings are 'NR/NR/BB+'. China Logistic Property Holdings Co Ltd is proposing to issue USD bonds.

Rating Changes: S&P has affirmed West China Cement Ltd's (WCC) 'B+' long-term corporate credit rating and revised the rating outlook to positive from stable. The rating action reflects S&P's expectations that the recovery in cement prices is likely to sustain, mainly backed by stronger demand driven by infrastructure projects in Western China and a disciplined rationalisation in supply. S&P has affirmed QBE Insurance Group Ltd's (QBE) 'A+' issuer credit rating and financial strength ratings on QBE's core operating companies. S&P has also revised its outlook to stable from positive. The ratings remain underpinned mainly by QBE's very strong competitive position spanning developed and developing property casualty markets, coupled with its solid underwriting and risk management capabilities with high quality capital. S&P however acknowledged that QBE group is unlikely to realise the material benefits of remediation activities across the group in near term. S&P has lowered its long-term corporate credit

Table 1: Key Financial Indicators

	31-Jan	1W chg (bps)	1M chg (bps)		31-Jan	1W chg	1M chg
iTraxx Asiax IG	66	2	-1	Brent Crude Spot (\$/bbl)	68.41	-3.01%	2.30%
iTraxx SovX APAC	11	1	-2	Gold Spot (\$/oz)	1,338.85	-1.44%	2.77%
iTraxx Japan	43	1	-2	CRB	198.14	0.61%	2.20%
iTraxx Australia	57	2	-1	GSCI	456.61	0.21%	3.20%
CDX NA IG	47	1	-2	VIX	14.79	33.24%	33.97%
CDX NA HY	108	0	0	CT10 (bp)	2.718%	7.15	31.26
iTraxx Eur Main	44	0	-1	USD Swap Spread 10Y (bp)	2	-1	3
iTraxx Eur XO	238	8	5	USD Swap Spread 30Y (bp)	-15	0	6
iTraxx Eur Snr Fin	42	0	-1	TED Spread (bp)	37	4	5
iTraxx Sovx WE	19	0	-4	US Libor-OIS Spread (bp)	25	0	-2
iTraxx Sovx CEEMEA	34	2	1	Euro Libor-OIS Spread (bp)	2	0	1
					31-Jan	1W chg	1M chg
				AUD/USD	0.807	0.15%	3.45%
				USD/CHF	0.934	1.17%	4.35%
				EUR/USD	1.242	0.08%	3.38%
				USD/SGD	1.312	-0.33%	1.86%
Korea 5Y CDS	49	4	-3	DJIA	26,077	-0.51%	5.49%
China 5Y CDS	55	5	5	SPX	2,822	-0.59%	5.57%
Malaysia 5Y CDS	59	3	0	MSCI Asiax	763	-0.70%	7.00%
Philippines 5Y CDS	60	3	1	HSI	32,607	-1.07%	8.98%
Indonesia 5Y CDS	83	3	-2	STI	3,535	-2.05%	3.89%
Thailand 5Y CDS	43	2	-3	KLCI	1,869	1.66%	3.99%
				JCI	6,575	-0.90%	3.46%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
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
25-Jan-18	BOC Aviation Ltd	'A-/NR/A-'	USD300mn	5-year	CT5+115bps

Source: OCBC, Bloomberg

Rating Changes (cont'd) : rating on Noble Group Ltd to 'CC' from "CCC-". The outlook is negative. The rating action follows Noble's announcement of a debt restructuring plan on 29 Jan which S&P views as a distressed exchange and tantamount to an immediate default on conclusion because the offer price is materially lower than the par value of the outstanding notes. The negative outlook reflects the likelihood that S&P will lower their rating on Noble and its senior unsecured notes to 'D' when the distressed exchange is complete. Moody's also downgraded Noble Group Ltd's senior unsecured ratings to 'Ca' from 'Caa3' and affirmed its 'Caa3' corporate family rating. The rating outlook is negative. The rating action follows Noble's announcement on 29 Jan that it has reached an in-principle agreement with a group of its senior debt holders on its financial restructuring. Moody's view it as a default event if the transaction is successful. The downgrade in ratings considers this default and Moody's assessment of the high economic loss incurred compared to the original payment promises. The affirmation of its corporate family rating reflects the continued high operating challenges facing the company, and uncertainty over the timing and outcome of restructuring. Moody's has placed Royal Bank of Scotland PLC's (RBS plc) ratings, baseline credit assessment and counterparty risk assessments on review for downgrade. The rating action reflects Moody's view of the likely impact on the bank from forthcoming ring-fencing regulations. RBS plc is reorganising as a result of the requirement to separate its retail and business banking business from its other operations, aimed at making economically vital banking services more resilient against financial shocks. This would result in RBS plc to likely have a weaker credit profile as it becomes the group's principal entity for conducting capital market and some other wholesale activities which Moody's consider typically riskier than retail and commercial banking. Moody's has affirmed its 'Baa1' rating for ONGC Videsh Ltd's senior unsecured bonds. The outlook is stable. The rating action follows the oil major's recent acquisition of majority shareholdings in Hindustan Petroleum Corporation (HPCL) and is driven primarily by its standalone credit profile. It also reflects ONGC's position as the only integrated oil and gas company in India with significant reserves, production and crude distillation capacity, post acquisition. Fitch has affirmed Modern Land China Co Ltd's 'B+' issuer default rating and revised its outlook to negative from stable. The rating action reflects Fitch's estimate that Modern Land's leverage would increase to above 45% at the end of 2017. Fitch believes that Modern China's higher leverage was mainly due to higher leverage at the joint venture level as the company continued to expand by replenishing land via JV projects. Fitch stated that it may take a negative rating action if Modern China's leverage is sustained above 40% over the next 18 months.

Credit Headlines:

City Developments Ltd ("CDL"): URA had announced that CDL was the highest bidder for two 99-year leasehold residential housing sites. Specifically, CDL tendered SGD212.2mn for a Handy Road site, bidding 12.3% higher than the next highest bidder. CDL had also tendered SGD472.4mn for a West Coast Vale site, bidding just 0.7% higher than the next highest bidder. Assuming that CDL is awarded both sites, CDL's land cost for the Handy Road site works out to be SGD1,722 psf ppr while the West Coast Vale site works out to be SGD800 psf ppr. Assuming that CDL will be funding these land acquisitions with cash balance or debt, and factoring the earlier Amber Road enbloc (~SGD723mn), this would increase 3Q2017 pro-forma net gearing to ~26% (from 15%). As it stands, CDL's credit profile would remain more conservative compared to its peers, though we note that there would be additional capital required to develop these plots subsequently. 4Q2017 / full-year results are expected on 28/02/18. We will retain our Positive (2) Issuer Profile. (Company, OCBC)

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