

Mar 7, 2018

Credit Headlines: Courts Asia Ltd, Capitaland Commercial Trust, Capitaland Mall Trust

Market Commentary: The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-3bps higher while the longer tenors traded 3bps higher. Flows in SGD corporates were heavy yesterday. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 114bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 330bps. 10Y UST yield rose 1bps to 2.89%, as fears of potential trade wars eased.

New issues: China Minsheng Banking Corp Ltd/Hong Kong has priced a USD1bn deal across two-tranches with the USD400mn 3-year FXD priced at CT3+115bps, tightening from its initial guidance of CT3+140bps area and the USD600mn 5-year FRN priced at 3mL+105bps, tightening from its initial guidance of 3mL+130bps area. Dianjian International Finance Ltd has priced a USD300mn Perp NC5 bond (guaranteed by Power Construction Corp of China) at 4.60%, tightening from its initial guidance of 4.875%. The expected issue ratings are 'NR/Baa1/BBB+'. Coastal Emerald Ltd has priced a USD200mn re-tap of its 363-day bond (guaranteed by China Shandong Hi-Speed Financial Group Ltd, keepwell provider: Shandong Hi-speed Group Co Ltd) at 4%. RCS Trust has priced a SGD275mn 7-year bond at 3.2%, in line with its initial guidance of 3.2%. Housing & Development Board has priced a SGD600mn 5-year bond at 2.303%. The expected issue ratings are 'NR/Aaa/NR'. Asciano Finance Ltd has scheduled for investor meetings from 8 Mar for its potential USD 10-year bond issuance (guaranteed by Asciano Ltd and certain other subsidiaries of Asciano). The expected issue ratings are 'BBB-/Baa3/BBB-'. Vicinity Centres has scheduled for investor meetings from 12 Mar for its potential USD/EUR bond issuance. Shinhan Bank has scheduled for investor meetings from 12-14 Mar for its potential USD bond issuance. Axis Bank Ltd has hired 10 arrangers for its potential USD bond issuance. Oversea-Chinese Banking Corp Ltd is said to issue its debut GBP Benchmark 5-year covered FRN bond.

Table 1: Key Financial Indicators

	7-Mar	1W chg (bps)	1M chg (bps)		7-Mar	1W chg	1M chg
iTraxx Asiax IG	68	0	-2	Brent Crude Spot (\$/bbl)	65.19	-0.90%	-0.49%
iTraxx SovX APAC	12	-1	-1	Gold Spot (\$/oz)	1,335.54	1.31%	1.30%
iTraxx Japan	49	1	3	CRB	196.76	0.70%	2.30%
iTraxx Australia	58	0	-3	GSCI	448.22	-0.42%	1.79%
CDX NA IG	56	1	2	VIX	18.36	-1.24%	-33.79%
CDX NA HY	107	0	0	CT10 (bp)	2.855%	-0.54	1.93
iTraxx Eur Main	52	0	3	USD Swap Spread 10Y (bp)	2	0	0
iTraxx Eur XO	262	-2	7	USD Swap Spread 30Y (bp)	-18	1	-2
iTraxx Eur Snr Fin	53	-1	4	TED Spread (bp)	38	5	3
iTraxx Sovx WE	20	0	1	US Libor-OIS Spread (bp)	40	0	14
iTraxx Sovx CEEMEA	33	1	-2	Euro Libor-OIS Spread (bp)	3	0	0
					7-Mar	1W chg	1M chg
				AUD/USD	0.779	0.36%	-0.42%
				USD/CHF	0.938	0.70%	0.63%
				EUR/USD	1.241	1.79%	1.21%
				USD/SGD	1.317	0.58%	0.61%
Korea 5Y CDS	48	-2	-3	DJIA	24,884	-2.07%	-0.04%
China 5Y CDS	55	0	-4	SPX	2,728	-0.59%	1.73%
Malaysia 5Y CDS	62	1	0	MSCI Asiax	724	-0.63%	1.62%
Philippines 5Y CDS	64	1	1	HSI	30,511	-1.08%	0.62%
Indonesia 5Y CDS	86	1	0	STI	3,468	-1.41%	2.50%
Thailand 5Y CDS	40	-1	-2	KLCI	1,848	-0.42%	0.64%
				JCI	6,500	-1.50%	-0.53%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
6-Mar-18	Housing & Development Board	'NR/Aaa/NR'	SGD600mn	5-year	2.303%
6-Mar-18	RCS Trust	'A-/NR/NR'	SGD275mn	7-year	3.2%
6-Mar-18	Coastal Emerald Ltd	'NR/A3/A'	USD200mn	HERINT 3.9%'19	99.905+accrued interest
6-Mar-18	Dianjian International Finance Ltd	'NR/Baa1/BBB+'	USD300mn	Perp NC5	4.60%
6-Mar-18	China Minsheng Banking Corp Ltd (HK)	'BBB-/NR/NR'	USD600mn	5-year	3mL+105bps
6-Mar-18	China Minsheng Banking Corp Ltd (HK)	'BBB-/NR/NR'	USD400mn	3-year	CT3+115bps
5-Mar-18	Country Garden Holdings Co Ltd	'NR/NR/BBB-'	CNH950mn	3NC2	5.80%
5-Mar-18	The Korea Development Bank	'AA/Aa2/AA-'	USD500mn	5-year	CT5+85bps
5-Mar-18	The Korea Development Bank	'AA/Aa2/AA-'	USD500mn	3-year	3mL+55bps
5-Mar-18	China Minmetals Corporation	'NR/Baa1/NR'	USD400mn	Perp NC May 2021	4.45%

Source: OCBC, Bloomberg

Rating Changes: S&P has downgraded the long-term corporate credit and senior unsecured debt ratings for Ricoh Co Ltd to 'BBB+' from 'A-' and the long-term corporate rating on Ricoh Finance Corp. The outlooks are stable. The rating action reflects S&P's view that Ricoh is likely to stage a weaker recovery in profitability than S&P has assumed despite its restructuring efforts, centering on cost reductions amid harsh business conditions. S&P has placed AXA Group on CreditWatch with negative implications on its 'AA' long-term issuer credit and placed its 'A+' long term rating on AXA Bank Belgium on CreditWatch with negative implications. The rating action reflects S&P's view that AXA's plan to acquire XL Group Ltd could materially weaken AXA's capital adequacy, as per their definition, if AXA fails to successfully deconsolidate its U.S life and AM operations in the coming years. Fitch has placed the ratings of XLIT Ltd on Rating Watch Positive. The rating action follows the announcement that XL has entered into an agreement to be acquired by AXA SA at a purchase price 1.5x XL's book value as of 31 Dec 2017 and a 33% premium to XL's common share price on 2 Mar 2018.

Credit Headlines:

Courts Asia Ltd ("COURTA"): COURTA announced a consent solicitation exercise to revise several covenants. This is driven by the impact from 3 new accounting rules (FRS 115, FRS 109 and FRS 116), which will have an impact on the balance sheet. The main changes to the covenants include (1) decreasing the threshold for minimum consolidated tangible net worth from SGD165mn to SGD120mn, (2) excluding additional finance leases as a result of the adoption of FRS 116 from the calculation of consolidated net debt (which impacts covenant on consolidated net debt to consolidated total equity $\leq 1.65x$), (3) excluding additional finance leases and right-of-use assets as a result of the adoption of FRS 116 from the calculation of consolidated total liabilities and consolidated total assets (which impacts covenant on consolidated secured debt to consolidated total assets $\leq 0.65x$) and (4) reduce the minimum ratio of EBITDA to interest expense from 1.75x to 1.5x. The early consent fee is 0.25% (expected deadline: 5pm on 22 Mar 2018) and the normal consent fee is 0.15% (expected deadline: 10am on 27 Mar 2018). We do not currently cover COURTA. (Company, OCBC)

Capitaland Commercial Trust ("CCT") and Capitaland Mall Trust ("CMT"): RCS Trust, which holds the asset Raffles City Singapore, has disclosed its 2017 financial results. RCS Trust is 60% owned by CCT and 40% owned by CMT. Highlights include RCS Trust reporting a revaluation gain of 2.9% to SGD3.26bn. Debt-to-assets remained stable at 34.6%. RCS Trust had also priced a SGD275mn 7-year bond at 85bps above 7Y SDSW, or 3.2%. This would likely be used to refinance the SGD250mn in short-term borrowings which RCS Trust reported. It is worth noting that RCS Trust only has unsecured borrowings (both bank debt and bonds). The slight increase in borrowings from the bond issue (assuming that the bulk of proceeds are to be used for refinancing) will have a minimum impact on RCS Trust's debt-to-asset ratio. (OCBC, Company)

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).