

October 10, 2017

Credit Headlines (Page 2 onwards): City Developments Ltd, Lippo Malls Indonesia Retail Trust, Nam Cheong Ltd

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 1-5bps lower across all tenors. Flows in SGD corporates were light, with better selling seen in OLAMSP 4.25%'19s. In the broader dollar space, the spread on JACI IG Corp fell 2bps to 183bps, while the yield on JACI HY Corp traded little changed at 6.88%. 10Y USTs were unchanged at 2.36% as US markets were closed for the Columbus Day holiday in US.

New Issues: CapitaLand Treasury Ltd has priced a SGD500mn 10-year bond (guaranteed by CapitaLand Ltd) at 3.08%, tightening from initial guidance of 3.25% area.

Rating Changes: Moody's has upgraded Ausdrill Limited's (Ausdrill) corporate family rating (CFR) to 'Ba3' from 'B1', while upgrading the senior unsecured rating of Ausdrill Finance Pty Ltd to 'Ba3' from 'B2'. The outlook has been changed to stable from positive. The rating action reflects Ausdrill's sustained improvement in its credit profile and Moody's expectation that Ausdrill's earnings will continue to grow. Moody's has affirmed China CITIC Bank International Limited's (CNCBI) 'Baa1' long-term deposit rating, 'Baa2' adjusted baseline credit assessment (BCA) and adjusted BCA, and its 'A3' counterparty risk assessment. The outlook has been revised to stable from negative. The rating action reflects CNCBI's enhanced capital position after it completes the capital injection that was announced by its parent bank, China CITIC Bank Corporation Limited. Fitch has assigned Baoji Investment (Group) Co Ltd (BIG) an Issuer Default Rating (IDR) of 'BBB-'. The outlook is stable. The rating of BIG is credit-linked to, but not equalized with, that of the Baoji Municipality due to the strong oversight and supervision by the municipal government, as well as the strategic importance of BIG to the municipality. However, BIG's standalone credit profile is constrained by its large capex, negative funds from operations and high leverage.

Table 1: Key Financial Indicators

	10-Oct	1W chg (bps)	1M chg (bps)		10-Oct	1W chg	1M chg
iTraxx Asiax IG	79	-1	2	Brent Crude Spot (\$/bbl)	55.82	-0.32%	3.79%
iTraxx SovX APAC	17	-1	-2	Gold Spot (\$/oz)	1,286.27	1.15%	-3.11%
iTraxx Japan	45	0	1	CRB	180.96	0.03%	-0.12%
iTraxx Australia	69	0	2	GSCI	392.46	-0.35%	1.36%
CDX NA IG	54	0	-3	VIX	10.33	9.31%	-14.77%
CDX NA HY	108	0	1	CT10 (bp)	2.364%	4.14	31.36
iTraxx Eur Main	57	2	5	USD Swap Spread 10Y (bp)	-4	0	0
iTraxx Eur XO	248	1	20	USD Swap Spread 30Y (bp)	-33	0	3
iTraxx Eur Snr Fin	60	1	10	TED Spread (bp)	30	0	2
iTraxx Sovx WE	5	0	0	US Libor-OIS Spread (bp)	13	-1	-2
iTraxx Sovx CEEMEA	41	2	-2	Euro Libor-OIS Spread (bp)	3	0	0
					10-Oct	1W chg	1M chg
				AUD/USD	0.778	-0.66%	-3.05%
				USD/CHF	0.978	-0.40%	-2.18%
				EUR/USD	1.178	0.31%	-1.45%
				USD/SGD	1.359	0.23%	-0.89%
Korea 5Y CDS	70	-1	3	DJIA	22,761	0.90%	4.42%
China 5Y CDS	59	0	1	SPX	2,545	0.62%	3.38%
Malaysia 5Y CDS	66	0	-2	MSCI Asiax	675	0.77%	1.76%
Philippines 5Y CDS	65	0	4	HSI	28,345	2.87%	2.45%
Indonesia 5Y CDS	101	-1	3	STI	3,282	1.11%	1.66%
Thailand 5Y CDS	49	-1	-2	KLCI	1,761	0.08%	-1.05%
				JCI	5,924	-0.27%	1.14%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
9-Oct-17	CapitaLand Treasury Ltd	Not Rated	SGD500mn	10-year	3.08%
6-Oct-17	Singapore Airlines Ltd (re-tap)	Not Rated	SGD200mn	SIASP 3.13%'26	101.5
6-Oct-17	FCL Treasury Pte Ltd (re-tap)	Not Rated	SGD30mn	FCLSP 4.25%'26	103.435
6-Oct-17	ICICI Bank Ltd of Dubai (re-tap)	'BBB-/Baa3/NR'	USD200mn	ICICI 3.25%'22	-
5-Oct-17	GSH Corporation Limited	Not Rated	SGD70mn	3-year	5.15%
4-Oct-17	The Bank of Nova Scotia	'NR/Baa3/NR'	USD1.25bn	Perp NC5	4.65%
3-Oct-17	Puma International Financing SA	'NR/Ba2/BB'	USD600mn	7-year	5.125%
29-Sep-17	21 Vianet Group Inc (re-tap)	Not Rated	USD100mn	VNET 7%'20s	100.04
28-Sep-17	FCL Treasury Pte Ltd (re-tap)	Not Rated	SGD42mn	FCLSP 3.95%-PERP	100.0
28-Sep-17	Industrial and Commercial Bank of China Ltd	'NR/A1/NR'	USD450mn	3-year	3mL+77bps

Source: OCBC, Bloomberg

Credit Headlines:

City Developments Ltd (“CDL”): CDL has announced that it has reached an agreement with the directors of Millennium & Copthorne Hotels Plc (M&C) to purchase all the outstanding ordinary shares that it does not own. M&C is currently listed on the London Stock Exchange. M&C owns and operates hotels globally under the Copthorne, Millennium and Grand Millennium brands. As of 9 Oct 2017, CDL indirectly owns 65.2% of issued share capital of M&C. CDL has offered 552.5 pence in cash for each M&C share held, representing a premium of 21% over its closing price of 455 pence on 6 October 2017. The proposed offer comprises a cash amount of 545 pence and a special dividend of 7.5 pence per M&C share. If the deal goes through, CDL would be paying approximately SGD1.1bn to purchase the minority stakes it does not own. Net gearing post the acquisition and adjusting for the Amber Park en bloc would be ~0.36x (30 Jun 2017: 0.18x) , which is still lower than the net gearing of CapitalLand Ltd and Frasers Centrepoint Ltd of ~0.40x and ~0.70x respectively. We continue to hold CDL on a positive issuer profile. (Company, Bloomberg, OCBC)

Lippo Malls Indonesia Retail Trust (“LMRT”): LMRT has entered into a conditional transfer agreement with a wholly-owned subsidiary of PT Metropolis Propertindo Utama (“PT MPU”) to transfer the retail wing adjoining Medan Fair to LMRT’s wholly-owned subsidiary. This retail wing was completed in Sep 2013 and will be held by LMRT under the build, operate and transfer scheme. The consideration for the transfer is SGD16.1mn, which is expected to be financed from the proceeds of LMRTSP 6.6% PERP, as well as the expected receipt of SGD13.0mn from PT MPU. PT MPU is making this payment as the BOT agreement for Medan Fair has yet to be extended, though LMRT will have to pay PT MPU back this amount when the extension is obtained. Separately, LMRT announced that the SGD14.5mn AEI works have been completed at Ekalokasari Plaza. The consideration is similarly funded by proceeds from LMRTSP 6.6% PERP. We think the SGD16.1mn transfer agreement and the SGD14.5mn AEI will not have a material impact on LMRT as they are small in relation to the SGD1.1bn NAV of LMRT. (Company, OCBC)

Nam Cheong Ltd (“NCL”): NCL announced that it has applied for a moratorium on actions or proceedings in Singapore and elsewhere for 6 months from the application date in order to implement its restructuring via a Scheme of Arrangement. Key dates include (1) pre-trial conference on October 12th to fix the application date; (2) Convening of a Scheme Meeting to approve any Scheme of Arrangement within 3 months of the court order. We will continue to monitor the situation closely and update as necessary. (Company, OCBC)

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