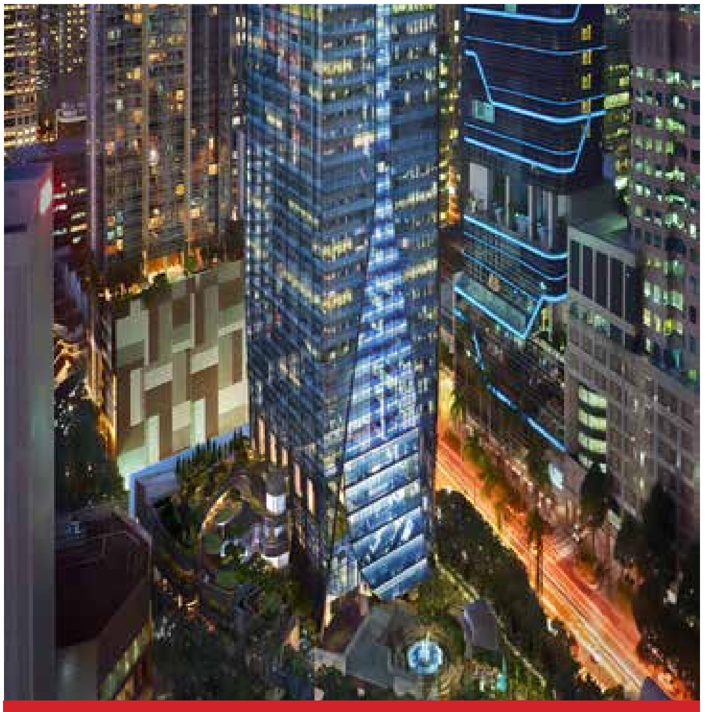
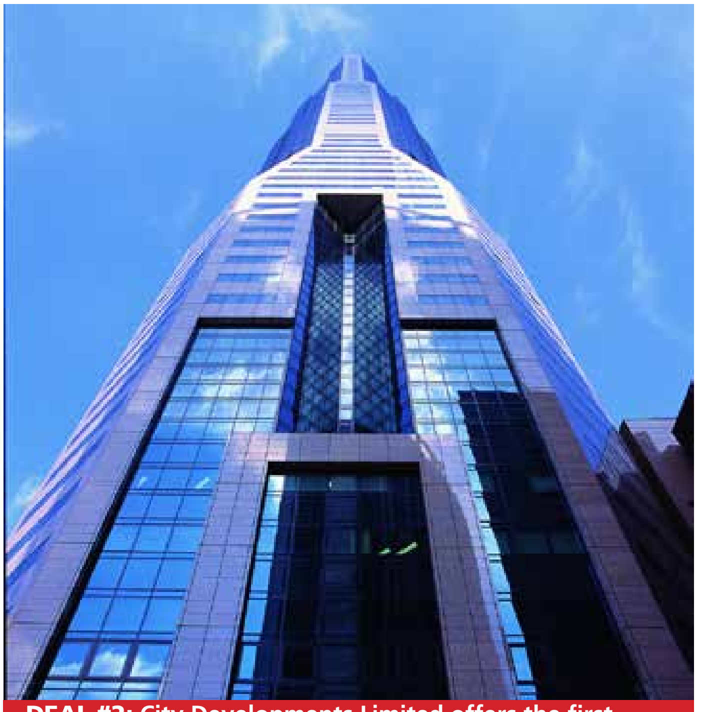


DEAL #1: Frasers Centrepoint Ltd has announced a new 10-year senior unsecured SGD-denominated bond issue.



DEAL #2: City Developments Limited offers the first Singapore dollar two-year Green bond indicated at a 1.98 percent coupon

Bond issuance falls, bond markets pick up

Primary bond offerings from Singapore-domiciled issuers reached US$12.8b in the first half of 2017.

Singaporean companies have cut back on local issued bonds to finance operations and have moved towards more overseas borrowing and perpetual bonds, new data shows. Meanwhile, Singapore local banks remain the largest bond issuers, accounting for 61.8 % of the market in the first half of 2017. Property developers remained active issuers in order to refinance maturing debt and raise debt capital for overseas expansion, whilst smaller companies offering higher yields also came back to tap the local capital markets.

Primary bond offerings from Singapore-domiciled issuers reached US$12.8b in the first half of the year, translating to a 23.2% decline in proceeds after a strong momentum sustained over the same period last year which recorded $16.7b in primary bond offerings. This is due to the decision — and, arguably, preference — of local companies to tap both domestic and offshore bond markets to raise funds. “The Singapore DCM (debt capital market) is dropping in the past few years,” said **Louis Ng**, head of APAC fixed income at Dealogic. “Volume and activity drop 20% and 30% year-on-year, respectively.”

During the second quarter of 2017, proceeds reached US$4.5b, or a 45.8% decline from the first quarter of 2017 and down 41.7% from the second quarter of last year. Singapore issuers tapped the US-dollar bond market and raised US$3.3b, an increase of 5.8% in proceeds compared to the same period in 2016. Moreover, perpetual bonds issued by Singaporean companies totalled US$1.4b to date, up by 49.3% from the same period last year.

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Thomson Reuters senior business communications executive for APAC Janet Jin noted that United Overseas Bank is currently the most active issuer/borrower in terms of bond proceeds this year, capturing 13.9% market share worth US$1.8b, including the company’s issuance from its subsidiaries.

DBS Group Holdings currently leads the Singapore-issued bonds underwriting this year with related proceeds of US$3b, accounting for 23.2% of the market share. Oversea-Chinese Banking Corporation Limited (OCBC) and HSBC Holdings, meanwhile, rounded out the top three spots with 11.9% and 9.3% market shares, respectively. Data from Thomson Reuters revealed that DBS Group books an estimated US$12.9m in fee revenues, and accounted for 23.7% of Singapore’s bond fee pool. Imputed underwriting fees from bond issuance by Singaporean companies, moreover, totalled US$54.5m, down 33.8% from the first half of 2016.

Thomson Reuters further revealed that Singaporean firms from the financial sector tapped the bond markets and raised US$7.9b, translating to a 19% decline in proceeds compared to the same period last year. Financials, therefore, captured 61.8% of the total bond proceeds issued by Singaporean borrowers.

HSBC Holdings issued its debut Singapore offering of Additional Tier 1 capital in June this year for S$1b (US$724.4m), the largest issuance this year in the

Singapore-dollar bond market, following a string of European banks tapping the SGD bond market this year, including Commerzbank AG, Landesbank Baden-Wuerttemberg (LBBW), and BNP Paribas.

Deals: Who borrowed where?

For Singapore-dollar bonds, OCBC Bank was the sole lead manager and bookrunner of the Frasers Centrepoint Limited deal priced at S$348m, 10-year bonds at a coupon rate of 4.15% on 16 February 2017, and upsized the issue size by another S$50m to S$398m on the following day. OCBC Bank embarked on a S$52m re-tap in April 2017 and a S$50m re-tap in May 2017, bringing the total to $500m. These followed OCBC Bank's other sole mandates from Frasers Centrepoint Limited in the past year: a S$250m, 10-year 4.25% issue in April 2016 and a US$200m, 5-year 2.5% issue in July 2016 (Frasers Centrepoint's debut USD bond issue).

In the Financials sector, OCBC Bank was joint lead manager and bookrunner of the deal with BNP Paribas priced at S$250 million for a 7.5-year bond issue at a coupon rate of 3.65% in March 2017, as well as Commerzbank's S$500 million, 4.875% 10-year non-call 5-year issue in February 2017.

Andrew Wong, vice president for fixed income research at OCBC Bank, noted that in his firm's mid-year 2017 outlook for Singapore that there is a partial revival of SGD bond market activity in 1H2017. "In addition to volumes picking up, we saw an improved breadth of issuers including well-known names, foreign financials as well as the return of smaller higher yielding issuers." he said.

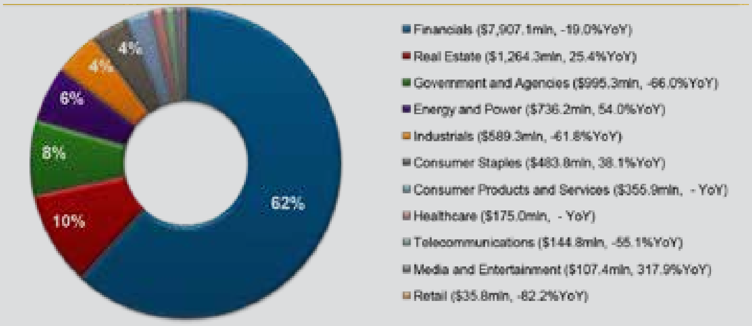
He further noted that the solid issuance activity in the first half of 2017 is mainly due to issuers looking to lock in the low cost of debt in early 2017 with the global reflation outlook still promising. Similarly opportunistic behaviour seen in late second quarter of 2017 when Singapore Dollar Swap Rates (SDSR) plunged to year-to-date lows (10 year swap rates fell to 2.10%), whilst throughout the year, we saw a significant recovery in demand for SGD papers with investors moving on from the high profile defaults in the embattled O&M sector in second half of 2016, and ample market liquidity looking for yields.

Some of the players in the Singapore-dollar bonds category include the Housing and Development Board's issuance of S$900m, UOB's S$750m issuance, as well as Singapore Airlines Limited and Mapletree Treasury Services' issuances at S$700m.

This also includes foreign financials like Huarong Finance,, and the return of smaller higher yielding issuers like Centurion Corp Ltd, Tuan Sing Holdings Limited, and Chip Eng Seng Corp Ltd. City Developments Limited (CDL), through its wholly-owned subsidiary CDL Properties Ltd (CDLP), has successfully launched the first green bond by a Singapore company.

The two-year senior secured green bond has raised S$100 million at 1.98% fixed rate due 2019. The investors comprised mainly financial institutions and fund managers. The green bond is issued under the CDLP S$700 million secured Medium Term Note (MTN) Programme first established in 2001. DBS Bank Ltd. (DBS) is the sole bookrunner on this transaction.

Singapore DCM volume by macro industry breakdown - 2017 YTD



Sources: Thomson Reuters

Janet Jin

Andrew Wong

Louis Ng

Financial, real estate

The country's real estate sector, meanwhile, accounted for 9.9% market share, raising US$1.264b in proceeds and representing a 25.4% increase year-on-year from the first half of 2016. Government and Agencies, Energy and Power, and Industrials captured 7.8%, 5.8%, and 4.6%, respectively, raising US$2.3b in combined proceeds. Consumer Staples; Consumer Products and Services; Healthcare; Telecommunications; Media and Entertainment; and Retail make up the rest of Singapore's debt capital market volume in the first half of 2017 for a combined total of over US$1.3b in proceeds.

Activity in the Singapore-dollar bond market, however, is picking up pace in the second quarter of 2017. SGD bond market reached S$6.7b (US$4.8b) in 2Q2017, increasing by 35.4% in proceeds from the previous quarter as number of primary issuance grew by 45%.

This brings total Singapore-dollar bond issuance to S$11.6b (US$8.3b) so far this year, or 7.1% lower compared to the proceeds raised in the first half of 2016. In terms of macro industry, the financial sector remained the top, accounting for 53% of the SGD bond market, raising S$6.2b (US$4.4b) so far this year.

Real estate and Government & Agencies followed behind with 16.1% and 14.6% market shares, respectively. Foreign issuers tapping the Singapore-dollar bond

Singapore debt capital market league table

	1H 2017				1H 2016		
Bookrunner	Proceeds US$m	Rank	Mkt. Share	No. Deals	Proceeds US$m	Rank	% Chg. in Proceeds
DBS Group Holdings	2,971.9	1	23.2	34	3,558.3	1	-16.5
Oversea-Chinese Banking	1,527.2	2	11.9	17	1,414.8	2	7.9
HSBC Holdings PLC	1,188.2	3	9.3	9	1,053.7	4	12.8
United Overseas Bank Ltd	802.2	4	6.3	7	676.5	7	18.6
Credit Suisse	705.8	5	5.5	7	1,112.1	3	-36.5
National Australia Bank	595.3	6	4.7	6	540.2	11	10.2
Citi	565.7	7	4.4	5	808.4	6	-30.0
Standard Chartered PLC	510.5	8	4.0	5	351.5	14	45.2
Deutsche Bank	362.8	9	2.8	2	940.5	5	-61.4
ANZ Banking Group	306.0	10	2.4	3	465.9	12	-34.3
China Zheshang Bank Co Ltd	299.9	11	2.3	4	-	-	-
Industry Total	12,794.9	-	100.0	61	16,658.9	-	-23.2

*(tie)

Sources: Thomson Reuters

Singapore dollar bonds volume - top macro industry - 2017 YTD

Sources: Thomson Reuters

market raised S$3.7b (US$2.7b) thus far, translating to a 13% decline in proceeds from the same period last year at S$3.4b, as number of primary issuance slowed down by 54.8%.

APAC outlook, China role

In terms of outlook and trend, Singapore bond markets may likely to continually be dominated by the real estate and financial sectors for the rest of 2017, if the first half of the year is any indication. OCBC research showed that in the first six months of the year, property developers remained active issuers in order to refinance maturing debt and raise debt capital for overseas expansion.

Regionally, Dealogic's Ng noted that that in 2017 so far, China is accounting for 57% of Asia ex Japan International issuances, marking the first time this kind of issuance is surpassing the 50% benchmark.

"Chinese issuers have changed the game in Asia somewhat, with more new players joining the market and reducing fees," said Ng, noting that this is making the market more challenging. He mentioned that the average number of bookrunners on Chinese International transactions has increased from 4 in 2010 to 6 in 2017. For instance, China Cinda Asset Management issued a $3.2b preferred share with 23 bookrunners on the deal, the highest number of bookrunners on the same deal in Asia ex Japan International market, which again is squeezing fees in the region.

Moving forward, Ng is expecting that Asia ex Japan International DCM will surpass the previous full year record set in 2014 at $280.9b. For reference, Asia ex Japan International DCM has reached $199.8b in the first half of 2017, increasing by 66% compared to the same period in 2016 which is the highest year to date volume on record.

This outlook and impending trend may be more apparent in the next few quarters and years with the launch of the Bank of China's new Debt Capital Market Centre in Singapore in June this year. This will help boost financial and capital market activities in Singapore. The new centre will help promote Chinese bond market to investors in the region by helping Bank of China boost its underwriting business for panda bonds.

In 2017 so far, China is accounting for 57% of Asia ex Japan International issuances, marking the first time this kind of issuance is surpassing the 50% benchmark.

HONG KONG VIEW

Dim Sum bonds: out of flavour

Hong Kong's decent showing on the bond market and debt capital market front is fuelled by certain notable deals—that could affect the bond market landscape in the Asia Pacific region as numbers and figures shoot up.

Some of the more notable deals this year include the State Grid Corporations' US$5 billion transaction completed in April in the Special Administrative Region. The most notable transaction, meanwhile, is China Evergrande's US$6.6b transaction which comprised of US$3.8b in new money raised and US$2.8bexchange offer, the largest US dollar bond ever completed in Asia. This transaction marked the largest bond raised by a Chinese real estate company on record, as well as the largest high yield bond priced in Asia ex Japan ever, according to Michael Tse, APAC fixed income head at Dealogic. Industry experts and observers are saying that this deal may raise borrowing costs in Asia's booming bond markets.

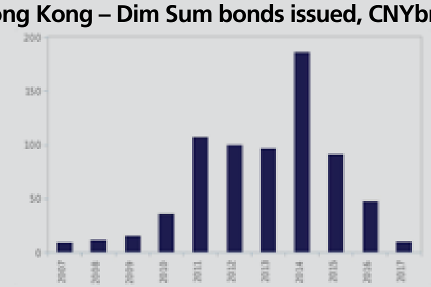
From the issuance's perspective, financial institutions still hold a majority in 2017. More than 60% of the total issues (including government bonds) in 2017 so far was contributed by financial institutions or the financial services sector, according to Natixis' senior economist Jianwei Xu. Real estate sector and airlines companies, meanwhile, issued the second and third most corporate bonds at 15 and 5 issues, respectively.

Dim Sum bonds continue to lose its flavour

With the current interest rate differential, the market share of USD bond remains substantial at about 58% for the Hong Kong bond market, followed by the share of Hong Kong dollar at 32%. Chinese yuan (renminbi) takes the third largest share but remains a minor domination currency compared to the other two at 4%. The offshore RMB bond (dim sum bond), however, issuance further slowed down in 2017 on the back of not only the appreciation of yuan as well as the hike of interest rate, but also the rapid opening up of China's onshore bond market.

Data from BMI Research suggested that whilst increasing linkages between China's onshore financial markets with Hong Kong will likely continue to place the latter as a top offshore yuan clearing centre, the offshore dim sum bonds market in Hong Kong will gradually lose appeal over the coming quarters as the onshore bond market gains prominence. Dim sum bonds were previously attractive to foreign investors who wished to gain exposure to yuan-denominated assets, but were restricted to the onshore market due to capital controls.

Declining significantly
Hong Kong – Dim Sum bonds issued, CNYbn



Source: BMI, Wind