Asian Credit Daily

Mar 01, 2016

Market Commentary: The SGD swap curve traded 1bp-2bps higher yesterday. In the broader dollar space, JACI IG corporates spread tightened by 3bps to 250bps, while the yield on the JACI HY corporates fell by 13bps to 8.16%. The 10y UST decreased by 3bps to 1.73%.

New Issues: Ford Motor is planning for a SGD bond offering, and has scheduled for investor's meetings today. Ausnet Services has set a final price guidance at 5.5% for its SGD-benchmark issue. Mapletree Industrial Trust ("MINT") announced that it will issue SGD60mn of 10 year fixed rate notes at 3.79% through MINT Treasury Company Pte. Ltd. Singapore Telecommunications Limited also announced that wholly-owned subsidiary, Singtel Group Treasury Pte. Ltd. ("SGT"), has priced a 7-year S$250 million fixed-rate notes, to be issued on 7 March 2016.

Rating Changes: S&P upgraded GS Caltex Corp short-term corporate credit rating to "A-2" from "A-3", while upgrading the long-term corporate rating to "BBB" from "BBB-". This is due to demand-supply dynamics in the Asia-Pacific refining industry which is likely to remain solid over the next 12 months under continuing low oil prices. Outlook is stable. Fitch cuts Sri Lanka's rating to "B+" from "BB-", citing increased refinancing risks due to high upcoming external debt maturities. Outlook is negative. Moody's placed Agile Property Holdings Ltd "Ba3" corporate family rating on rating review following Agile's profit warning on 24 February 2016 that profit attributable to shareholders for 2015 is likely to have declined by 70%, hence weakening Agile's financial metrics and liquidity position. Moody's placed the ratings of Beijing Capital Group and subsidiaries for downgrade, due to concerns over the company's ability to reduce its high debt leverage as planned in light of the weakening economic environment in China. Moody's placed Sinochem Hong Kong (Group) Company Ltd's "A3" issuer rating on review for downgrade. The rating review reflects Moody's concerns over Sinochem HK's weak earnings in its upstream exploration & production business, due to the material decline in global oil prices and the company's rising leverage.

Table 1: Key Financial Indicators

	1-Mar	1W chg (bps)	1M chg (bps)		1-Mar	1W chg	1M chg
iTraxx Asiax IG	156	-3	4	Brent Crude Spot ($/bbl)	36.57	5.42%	5.27%
iTraxx SovX APAC	75	-4	-4	Gold Spot ($/oz)	1,240.80	1.84%	10.50%
iTraxx Japan	99	-3	17	CRB	163.22	0.36%	-0.17%
iTraxx Australia	156	5	13	GSCI	303.63	0.97%	3.66%
CDX NA IG	108	-8	4	VIX	20.55	6.04%	2.85%
CDX NA HY	99	1	0	CT10 (bp)	1.724%	0.19	-22.42
iTraxx Eur Main	99	-9	5	USD Swap Spread 10Y (bp)	-16	0	-4
iTraxx Eur XO	408	-20	38	USD Swap Spread 30Y (bp)	-53	-2	-5
iTraxx Eur Snr Fin	108	-10	14	TED Spread (bp)	32	-1	2
iTraxx Sovx WE	34	2	12	US Libor-OIS Spread (bp)	23	0	1
iTraxx Sovx CEEMEA	188	6	-5	Euro Libor-OIS Spread (bp)	16	2	2
					1-Mar	1W chg	1M chg
				AUD/USD	0.712	-1.77%	0.78%
				USD/CHF	0.998	-0.41%	2.41%
				EUR/USD	1.088	-1.18%	0.20%
				USD/SGD	1.406	0.00%	1.25%
Korea 5Y CDS	67	-3	2	DJIA	16,517	-0.63%	0.41%
China 5Y CDS	133	-4	4	SPX	1,932	-0.68%	-0.37%
Malaysia 5Y CDS	175	-6	-15	MSCI Asiax	457	-0.86%	-1.02%
Philippines 5Y CDS	119	-5	-10	HSI	19,112	-1.81%	-2.47%
Indonesia 5Y CDS	230	-10	-11	STI	2,667	0.22%	2.46%
Thailand 5Y CDS	151	-11	-10	KLCI	1,655	-1.18%	-0.78%
				JCI	4,771	1.32%	3.16%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
29-Feb-16	Singapore Telecommunications Limited	A+/Aa3/A+	SGD250mn	7-year	2.895%
29-Feb-16	Mapletree Industrial Trust	NR/NR/BBB+	SGD60mn	10-year	3.79%
25-Feb-16	CapitaLand Mall Trust	NR/A2/NR	SGD100mn	10-year	3.50%
25-Feb-16	Mapletree Industrial Trust	NR/NR/BBB+	SGD60mn	10-year	3.79%
24-Feb-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD350mn	5-year	3mL+100bps
23-Feb-16	Mitsubishi UFJ Financial Group Inc	A/A1/A	USD400mn	5-year	3mL+188bps
23-Feb-16	Mitsubishi UFJ Financial Group Inc	A/A1/A	USD2.1bn	5-year	CT5+180bps
23-Feb-16	Mitsubishi UFJ Financial Group Inc	A/A1/A	USD2.5bn	10-year	CT10+215bps

Source: OCBC, Bloomberg

Credit Headlines:

Hong Fok Corp. Ltd ("HFC"): HFC reported FY2015 results with revenue down 38% y/y to SGD60.6mn. This was mainly due to segment revenue from property development which was down 83% y/y to SGD6.8mn due to absence of sales from Concourse Skyline (TOP in March 2014, no units sold during 2015). Revenue from investment properties was relatively more stable but still down 6.5% y/y to SGD50.9mn. 2015 EBITDA however, was up 149% y/y to SGD222.2mn mainly due 1) a one-off gain of SGD81.9mn from the disposal of its stake in Hong Kong-listed Winfoong International Ltd ("Winfoong") which generated cash proceeds of SGD102.3mn and 2) SGD 136.4mn of revaluation gains on investment properties. Stripping out one-off items and revaluation gains, EBITDA would have decreased 91% y/y to SGD3.9mn. Cash increased to SGD163.8mn as of 31 Dec 2015 from SGD93.1mn in 2014 mainly due to proceeds from the Winfoong disposal while gross debt increased slightly to SGD744mn. Net gearing improved from 36% to 29% and net debt/EBITDA improved to 2.61x from 7.25x mainly due to the one-off items mentioned above. Refinancing risk is low this year with SGD5.8mn in debt due this year and this should be easily covered with SGD163.8mn of cash on the balance sheet. Looking ahead for 2016, we think HFC will continue to find it challenging moving units in Concourse Skyline (we estimate about 119 units out of 360 units unsold) with performance driven by rental income from investment properties. Capital expenditures (2015:SGD31.4mn) will be mainly for YOTEL which will be completed in 1H2017 and should contribute positively to the group's recurring income streams going forward. We maintain our Underweight rating on the HFCSP curve as earnings capacity this year will remain weak although the Winfoong disposal last year has generated some liquidity for the company. (Company, OCBC)

Golden Agri-Resources Ltd ("Golden Agri"): Golden Agri reported its FY2015 results. Revenue fell 14.6% to USD6.5bn (FY2014: USD7.6bn) while gross profit declined by 13% during the same period to USD1.1bn against USD1.3bn in FY2014. As a result of lower CPO prices, biological assets suffered a larger net loss from changes in fair value of USD197.7mn (FY2014: USD133.8mn). The company also took a hit on foreign exchange losses of USD91.8mn vs. a smaller loss of USD13.8mn in FY2014. These factors along with continued high financial expense of USD132mn (FY2014: USD123mn) led to the company reporting a net loss before tax of USD52.3mn during the year in stark contrast to the USD158mn reported in FY2014. EBITDA (excluding loss in fair value of biological assets) was USD359.1mn, declining ~29% from USD503.3m in FY2014. The company reported gross debt of ~USD3.0bn (around half of these being short term debt) against cash and cash equivalent balances of USD243mn. While we believe at least USD1bn of these short term debt are likely to relate to trade receivables and hence self-liquidating, liquidity at the company continues to be stretched, especially in light of heavy upcoming maturities in FY2017-FY2018. Golden Agri has a MYR bond amounting to MYR250mn (~USD60mn) due in March 2016 which is manageable. We continue to hold our Negative issuer profile on the company. (Company, OCBC)

Ezion Holdings Limited ("EZI"): EZI reported its 4Q2015 and FY2015 financial statements. As expected from their profit guidance in February, EZI reported a net loss of USD63.5mn for 4Q2015 and an 84% drop in net profit for FY2015 to US$37mn largely as a result of impairment losses on plant and equipment. Full year results were also impacted by weaker gross profits due to the decrease in revenue from absence of contribution from projects in Queensland, Australia and higher cost of sales and servicing due to the deployment of additional service rigs. As a result, the group's gross profit fell 40% y/y to USD118mn. Net gearing worsened to around 110%in FY2015 from 86% in FY2014, due to new debt issued for redemption of perpetual securities and to fund negative free cash flow for capex. We have previously downgraded EZI's Issuer Profile to Negative in our 2016 credit outlook given the challenging environment and expected further leverage deterioration. (Company, OCBC)

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Co.Reg.no.:193200032W