

May 10, 2016

Market Commentary: The SGD swap curve traded upwards yesterday, trading 2bps-4bps higher across all tenors. Flows in the SGD corporates were moderate, where we saw better buyers in STANLN 4.4%'26s, and mixed interest in GENSSP 5.125%'49s, OLAMSP 4.25%'19s and OLAMSP 5.8%'19s. In the broader dollar space, the spread on the JACI IG corporates tightened by 1bp to 228bps, while the yield on the JACI HY corporates was level at 7.34%. 10y UST yield decreased by 3bps to 1.75%, on the back of decline in oil as well as expectations that upcoming UST auctions later in the week will be well-received.

New Issues: Agricultural Bank of China ("ABC") priced a two-tranche deal, with the USD400mn 3-year bond priced at CT3+107.5bps, tightening from an initial guidance of CT3+130bps. ABC priced the other tranche of USD850mn 3-year floating rate bonds at 3mL+98bps. The expected ratings for the issue is "A/A1/NR". G8 Education priced a SGD 3-year bond at 5.5%, tighter than the IPT of 5.75% due to strong demand. The issue is not expected to be rated. Westpac Banking Corporation priced a USD4.0bn five-part deal, with the USD750mn 3-year bond priced at CT3+80bps (tightening from an initial guidance of CT3+95bps), the USD250mn 3-year floating rate bond priced at 3mL+71bps, the USD1.25bn 5-year bond priced at CT5+95bps (tightening from an initial guidance of CT5+110bps), the USD250mn 5-year floating rate bond priced at 3mL+100bps and the USD1.5bn 10-year bond priced at CT10+115bps.

Rating Changes: Moody's withdrew all ratings on Aozora Bank Ltd, with no further news available on Bloomberg. The Local LT Bank Deposit Ratings on Aozora Bank Ltd was "Baa2" prior to the withdrawal. Moody's initiated a "Ba3" rating to Greentown China's USD400mn senior perpetual capital securities. This follows the final terms and conditions of the notes issuance which are consistent with Moody's expectation. Outlook is positive.

Table 1: Key Financial Indicators

	10-May	1W chg (bps)	1M chg (bps)		10-May	1W chg	1M chg
iTraxx Asiax IG	146	--	0	Brent Crude Spot (\$/bbl)	43.63	-4.80%	4.03%
iTraxx SovX APAC	54	0	-4	Gold Spot (\$/oz)	1,262.11	-2.57%	0.98%
iTraxx Japan	78	3	-8	CRB	177.04	-3.01%	3.50%
iTraxx Australia	136	2	-3	GSCI	342.89	-3.45%	4.21%
CDX NA IG	84	3	3	VIX	14.57	-0.75%	-5.14%
CDX NA HY	102	-1	0	CT10 (bp)	1.751%	-4.56	3.40
iTraxx Eur Main	79	2	0	USD Swap Spread 10Y (bp)	-14	-2	-2
iTraxx Eur XO	330	7	-3	USD Swap Spread 30Y (bp)	-49	-3	-4
iTraxx Eur Snr Fin	99	3	-1	TED Spread (bp)	42	-3	1
iTraxx Sovx WE	26	0	-2	US Libor-OIS Spread (bp)	25	0	-1
iTraxx Sovx CEEMEA	137	5	-12	Euro Libor-OIS Spread (bp)	9	-1	-1
					10-May	1W chg	1M chg
				AUD/USD	0.731	-3.32%	-3.38%
				USD/CHF	0.972	-2.44%	-1.54%
				EUR/USD	1.138	-1.73%	-0.09%
				USD/SGD	1.372	-1.95%	-1.93%
Korea 5Y CDS	65	-2	0	DJIA	17,706	-1.04%	0.73%
China 5Y CDS	129	-2	5	SPX	2,059	-1.09%	0.54%
Malaysia 5Y CDS	161	-7	7	MSCI Asiax	485	-2.06%	-2.30%
Philippines 5Y CDS	117	1	15	HSI	20,157	-4.32%	-1.05%
Indonesia 5Y CDS	191	--	-14	STI	2,766	-2.55%	-1.50%
Thailand 5Y CDS	125	-3	-4	KLCI	1,632	-2.42%	-5.02%
				JCI	4,749	-2.04%	-2.01%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
09-May-16	Agricultural Bank of China	A/A1/NR	USD400mn	3-year	CT3+107.5bps
09-May-16	Agricultural Bank of China	A/A1/NR	USD850mn	3-year	3mL+98bps
09-May-16	Westpac Banking Corporation	AA-/Aa2/AA-	USD750mn	3-year	CT3+80bps
09-May-16	Westpac Banking Corporation	AA-/Aa2/AA-	USD250mn	3-year	3mL+71bps
09-May-16	Westpac Banking Corporation	AA-/Aa2/AA-	USD1.25bn	5-year	CT5+95bps
09-May-16	Westpac Banking Corporation	AA-/Aa2/AA-	USD250mn	5-year	3mL+100bps
09-May-16	Westpac Banking Corporation	AA-/Aa2/AA-	USD1.5bn	10-year	CT10+115bps
05-May-16	Fraser's Hospitality Trust	NR/NR/NR	SGD100mn	perpNC5	4.45%

Source: OCBC, Bloomberg

Credit Headlines:

Central China Real Estate Ltd ("CENCHI"): CENCHI reported contracted sales for April 2016 down 66.8% y/y to RMB1.08bn. The poor showing in April dragged 4M2016 contracted sales down 19.8% y/y to RMB2.7bn, after being up 40.4% y/y in 3M2016. This was due to 1) high base from strong pick-up in sales in April 2015 post policy easing in March 2015 and 2) the lack of new launches in April with only a small launch scheduled from Eighteen Cities (project estimated to bring in RMB276mn or 1.53% of total full-year contracted sales target of RMB18bn) in Pingdingshan at the end of the month. We expect contracted sales to pick up going forward with some big launches in Zhengzhou in the months ahead (Tihome Jianye International City in May 2016: 6.11% of full-year target sales, Jiuri House in June 2016: 7.25%, and Blossom Garden Phase I in July 2016: 12.24%). We maintain our Neutral Issuer Profile on CENCHI with an Overweight on the CENCHI 6.5%'17s on valuations. (Company, OCBC)

Swissco Holdings ("SWCH"): SWCH announced a profit warning for its 1Q2016 results to be reported on 13/05/16. The company had previously announced that 3 (out of the 7) drilling rigs which it owns / manages were off-charter, and that the overall weak environment for the oil & gas industry has impacted 1Q2016 results. We believe that SWCH's OSV division is likely to have faced challenges during the quarter as well. SWCH had already taken some impairments on its fixed assets during 4Q2015, swinging the firm into a net loss during that quarter. Earlier in April, SWCH had announced entering into a non-binding MOU to acquire VM Marine International. We currently hold SWCH's Issuer Profile at Neutral and will review the 1Q2016 results when released for any potential changes in our view. (Company, OCBC)

Breadtalk Group Ltd ("BREAD"): BREAD reported 1Q2016 results with revenue up 1.4% y/y to SGD154.6mn. Revenue growth was entirely due to the continuing strong performance of the restaurant segment in Singapore with segment revenues up 9.9% y/y. In contrast, the bakery and food division performance was slightly weaker with revenue down 1.3% and 0.4% y/y respectively partly due to store closures as well as the challenging operating environment in China. Profit before tax increased however by 22% to SGD6mn due to gain on sale of investment securities of SGD8.5mn from the divestment of its interest in 112 Katong, which mitigated higher operating expenses. The divestment proceeds along with relatively stable operating cash flows and lower capex resulted in an improvement in net gearing to 65% as at 1Q2016 from 73% as at FY2015. Results do not include the recently issued SGD75mn 4.6% 3-year bond which was issued in early April 2016, which are likely to be used to refinance ~SGD80mn in short-term debt. Management has indicated that around 45% of the divestment gain will be paid as a special dividend. We presently do not cover BREAD. (Company, OCBC)

Gallant Venture Ltd ("GALV"): GALV released its first quarter results yesterday evening. Revenue was down by 18% q/q, on the back of pricing pressures at its automotive arm, namely PT Indomobil Sukses Internasional ("IMAS"), amidst tighter competition. EBITDA improved slightly to SGD58.8mn (1Q2015: SGD56.9mn) on the back of improved gross margins to 16% (1Q2015: 13%). However, headline loss after tax widened to SGD14.8mn compared to 1Q2015 which reported loss after tax of SGD9.2mn. This was largely due to the absence of a gain on disposal of associates amounting to SGD9m which boosted the bottom line in 1Q2015. While the group generated ~SGD33mn in cash flow from operations this quarter (1Q2015: SGD38mn), financing burden at the company remains high. In 1Q2016, gross interest expense was reported at SGD34.6mn (1Q2015: SGD31.3mn). Debt-to-equity for 1Q2015 was 1.3x while net debt-to-equity was 1.1x. GALV is subjected to two covenants relating to consolidated net tangible assets ("NTA"). Following consecutive losses since 1Q2014, GALV's total equity value have contracted to SGD1.99bn (SGD2.64bn as at end 1Q2014). With intangible assets standing at SGD784.6mn, we find NTA to be SGD1.2bn (prior to any further adjustments), or ~SGD200mn above its covenant of SGD1.0bn. On a Net debt-to-NTA basis, GALV is now at 1.8x against the covenanted 2.25x. On 26 April 2016, the company has announced that it has entered into an agreement to dispose of its interest in a project in Shanghai (namely the Lao Xi Men Project), with expected proceeds of SGD447mn by April 2017. With significant upcoming bond maturities in May 2017 of SGD150mn, followed by SGD75mn in August 2017, we see the disposal as credit positive and allows the company to improve its liquidity profile. We will review GALV's current Negative issuer profile for potential changes (Company, OCBC).

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