

Jan 15, 2016

Market Commentary: The SGD swap rates bull-flattened yesterday, with the short-end rates trading 2bps-5bps lower while the belly-to-long-end rates traded 6bps-10bps lower. In the broader dollar space, JACI IG corporates spread widened by 4bps to 228bps while the yield on the JACI HY corporates increased by 6bps to 8.08%. 10y UST yield was flat at 2.09%. Elsewhere, China Shanshui Cement offered to buy back USD500m 7.5%'20 and USD400m 8.5%'16 at cash price \$1,010 for each \$1,000.

New Issues: Singapore Technologies Telemedia Pte Ltd tapped the market with a SGD300mn 4.05%, 10-year bond at price 100.4. Hsin Chong priced a USD150mn 3-year bond at 8.5%, in line with the initial price guidance. Hong Kong Airlines priced a USD180mn 3-year bond at 7.25%, tightening from an initial guidance of 7.5%. Khazanah Nasional Bhd is planning for a USD Sukuk, and has scheduled investor meetings on 17 Jan. Mongolia is planning to issue USD senior unsecured bond under the country's USD5bn GMTN Program, and has scheduled investor meetings to start on 18 Jan.

Credit Headlines:

First Sponsor Group Limited ("FSG"): FSG announced the disposal of recently acquired assets in the Netherlands, comprising almost all of the previously classified non-core assets, for EUR45.5mn. The company's pro-rata share of the gain on disposal is expected to be approximately EUR4.3mn. Impact on financial metrics are not material in our view, particularly on FSG's recurring cash flow from its property holding segment. We believe the company still retains the key positives from this transaction being additional diversification of cash flows, access to stable recurring income and redevelopment potential in 4 of the remaining 8 properties. (Company, OCBC)

Table 1: Key Financial Indicators

	15-Jan	1W chg (bps)	1M chg (bps)		15-Jan	1W chg	1M chg
iTraxx Asiax IG	153	5	12	Brent Crude Spot (\$/bbl)	30.88	-8.50%	-18.57%
iTraxx SovX APAC	77	1	4	Gold Spot (\$/oz)	1,078.03	-2.37%	1.14%
iTraxx Japan	82	1	5	CRB	163.12	-3.21%	-6.37%
iTraxx Australia	140	7	10	GSCI	287.02	-2.94%	-8.66%
CDX NA IG	104	5	13	VIX	23.95	-4.16%	14.32%
CDX NA HY	99	0	-1	CT10 (bp)	2.096%	-1.95	-16.97
iTraxx Eur Main	91	4	10	USD Swap Spread 10Y (bp)	-16	-2	-6
iTraxx Eur XO	365	11	32	USD Swap Spread 30Y (bp)	-49	-3	-13
iTraxx Eur Snr Fin	84	2	7	TED Spread (bp)	38	-4	6
iTraxx Sovx WE	18	1	0	US Libor-OIS Spread (bp)	24	0	4
iTraxx Sovx CEEMEA	207	9	31	Euro Libor-OIS Spread (bp)	11	-1	1
					15-Jan	1W chg	1M chg
				AUD/USD	0.699	0.49%	-3.80%
				USD/CHF	1.005	-1.05%	-2.15%
				EUR/USD	1.086	-0.56%	-1.32%
				USD/SGD	1.438	0.34%	-2.38%
Korea 5Y CDS	67	2	10	DJIA	16,379	-0.82%	-6.54%
China 5Y CDS	121	1	11	SPX	1,922	-1.09%	-5.95%
Malaysia 5Y CDS	205	5	17	MSCI Asiax	456	-2.57%	-6.29%
Philippines 5Y CDS	122	1	10	HSI	19,817	-2.54%	-6.85%
Indonesia 5Y CDS	245	-2	1	STI	2,645	-3.13%	-6.07%
Thailand 5Y CDS	152	2	10	KLCI	1,633	-1.31%	0.65%
				JCI	4,513	-0.38%	2.36%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Jan-16	Singapore Technologies Telemedia Pte Ltd	NR/NR/NR	SGD300mn	10-year	4.05%
15-Jan-16	Hsin Chong Construction Group Ltd	NR/NR/NR	USD150mn	3-year	8.5%
15-Jan-16	Hong Kong Airlines International Holdings	NR/NR/NR	USD180mn	3-year	7.25%
14-Jan-16	Korea Midland Power Co Ltd	AA-/Aa2/AA-	USD300mn	5.5-year	CT5+110bps
14-Jan-16	Export-Import Bank of India	BBB-/Baa3/BBB-	USD500mn	5.5-year	CT5+165bps
14-Jan-16	DBS Group Holdings Ltd	NR/Aa2/AA-	SGD250mn	12NC7	3.8%
14-Jan-16	Sumitomo Mitsui Banking Corp	A/A1/A	USD750mn	3-year	CT3+95bps
14-Jan-16	Nippon Life Insurance Co.	A+/A1/A	USD1.5bn	30NC10	4.7%

Source: OCBC, Bloomberg

Perennial Real Estate Holdings ("PREH"): PREH has entered into a MOU with Shanghai Summit Property Development Ltd and Shanghai RST Chinese Medicine Co. Ltd to establish a 40-40-20 joint venture company to operate an eldercare and retirement home at Chengdu East High Speed Railway (Chengdu East HSR) Integrated Development Plot D2 which is 50-50 owned by PREH and Shanghai Summit. Total JV investment amount is small at SGD39.6mn or ~SGD10mn attributable to PREH. The JV will master lease no less than 85,000 sqm or three 37-storey tower blocks out of the six at Chengdu HSR Plot D2 originally slated for residential apartments to be converted into Chengdu Xiehe Home. This MOU represents a further push into healthcare and the 2nd asset repositioning in the Chengdu East HSR development. Last year in July the company set up a 40-60 JV (SGD63mn investment by PREH) with Guangdong Boai Medical Group and acquired Modern Hospital Guangzhou. They also repositioned Perennial Dongzhan Mall which was part of the Chengdu East HSR integrated development to a health and medical hub which has been renamed Perennial International Health and Medical Hub. Perennial International Health and Medical Hub will be anchored by a lease with IHH to operate a 350-bed Chengdu ParkwayHealth hospital.

We are largely neutral on the move. Lease agreements with the JV will boost recurring income while there are synergies in terms of integration with Chengdu ParkwayHealth Hospital and overall positioning the Chengdu East HSR development as a healthcare asset. However we think that residential units would probably have realized greater value for the plot compared to an elderly home. We are also slightly concerned about the cross-holding structure of the deal. The deal is essentially a 50-50 owned JV holding the assets and another 40-60 JV leasing and operating the assets. (Company, OCBC)

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