

May 17, 2016

Market Commentary: The SGD curve shifted downwards yesterday, trading 3bps – 5bps lower across all tenors. Flows in the SGD corporates were heavy, where we saw better buyers in, NAB 4.15%'28s, STANLIN 4.4%'26s, GEMAU 5.5%'19s, better sellers in SCISP 4.75%'49s, NOLSP 4.4%'19s and BNP 4.3%'25s. Meanwhile we saw mixed interest in, GENSSP 5.125%'49s, SOCGEN 4.3%'26s, UOBSP%'49s and ABNANV 4.75%'26s, and FCLSP 5%'49s. In the broader dollar space, the spread on JACI IG corporates increased by 1bps to 228bps, while the yield on JACI HY Corporate decreased by 2bps to 7.19%. 10y UST increased by 6bps to 1.75% reversing Friday's movements as WTI hit year to date highs.

New Issues: Manulife Financial Corporation priced a SGD500m 10NC5 tier 2 bond at 3.85%, tightening from its initial guidance of 4.15%. The expected rating given is "A-/NR/NR". ICBC Hong Kong priced a USD500m 3-year bond at CT3+107.5bps, tightening from its initial guidance of CT3+130bps. The expected rating is "A/A1/NR". Mapletree Logistic Trust ("MLT") priced a SGD250m PerpNC5.5 at 4.18%, tightening from its initial guidance of 4.5%. The issue currently has no expected rating, though an existing MLT perp is currently rated "Baa3" by Moody's. United Engineers has scheduled an investor's road show on May 18.

Rating Changes: Moody's downgraded China Minmetals rating to "Baa1" from "A3". The rating outlook is negative. The downgrade reflects the weak state of earnings in the company's metals and mining portfolio, deteriorated credit metrics and expectation of high albeit improved leverage, measured by adjusted Debt/EBITDA of about 7x by end of 2017. This rating action concludes the rating review for downgrade that was initiated on 22 January. S&P downgraded Mitsubishi Motor rating by two notches, to "BB-" from "BB+". Outlook is negative, due to the recent falsification of fuel-consumption data and possible damage to its brand recognition. Moody's confirmed Noble Group's "Ba3" rating, following Noble Group's successful refinancing of its bank facilities. This concludes the rating review for downgrade that was initiated on 23 February 2016. Outlook is negative reflecting uncertainty regarding its ability to rebuild and reposition its operations and improve profitability, cash flow and liquidity. Meanwhile, Moody's confirmed its rating on Tingyi Cayman Island Holdings Corporation at "Baa1" with no further information furnished on Bloomberg.

Table 1: Key Financial Indicators

	17-May	1W chg (bps)	1M chg (bps)		17-May	1W chg	1M chg
iTraxx Asiax IG	145	2	6	Brent Crude Spot (\$/bbl)	48.98	7.60%	13.64%
iTraxx SovX APAC	53	1	-4	Gold Spot (\$/oz)	1,276.04	0.81%	3.53%
iTraxx Japan	73	-3	-4	CRB	184.58	4.26%	6.31%
iTraxx Australia	133	-1	-4	GSCI	367.66	7.22%	9.34%
CDX NA IG	82	1	4	VIX	14.68	0.75%	7.78%
CDX NA HY	102	0	-1	CT10 (bp)	1.746%	-1.49	-0.54
iTraxx Eur Main	78	2	6	USD Swap Spread 10Y (bp)	-13	3	1
iTraxx Eur XO	328	5	19	USD Swap Spread 30Y (bp)	-48	1	-2
iTraxx Eur Snr Fin	99	2	12	TED Spread (bp)	36	-5	-5
iTraxx Sovx WE	26	-1	-2	US Libor-OIS Spread (bp)	24	0	-1
iTraxx Sovx CEEMEA	134	-1	1	Euro Libor-OIS Spread (bp)	8	0	-2
					17-May	1W chg	1M chg
				AUD/USD	0.729	-0.99%	-5.94%
				USD/CHF	0.978	-0.21%	-1.41%
				EUR/USD	1.132	-0.47%	0.04%
				USD/SGD	1.369	-0.01%	-1.29%
Korea 5Y CDS	64	2	0	DJIA	17,711	0.03%	-1.04%
China 5Y CDS	127	1	7	SPX	2,067	0.39%	-0.68%
Malaysia 5Y CDS	156	-2	-7	MSCI Asiax	480	-1.20%	-6.43%
Philippines 5Y CDS	112	--	12	HSI	19,884	-1.35%	-6.72%
Indonesia 5Y CDS	186	--	-15	STI	2,736	-1.08%	-6.43%
Thailand 5Y CDS	123	-1	-1	KLCI	1,621	-0.67%	-6.18%
				JCI	4,732	-0.37%	-1.91%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
16-May-16	Manulife Financial	A-/NR/NR	SGD500mn	10NC5	3.85%
16-May-16	ICBC Hong Kong	A/A1/NR	USD500m	3-year	CT3+107.5bps
16-May-16	Mapletree Logistic Trust	NR/NR/NR	SGD250mn	PerpNC5.5	4.18%
12-May-16	National Australia Bank Ltd	BBB+/A3/NR	SGD450mn	12-year	4.15%
12-May-16	ANZ Banking Group Ltd	NR/A3/A+	USD1.5bn	10-year	CT10+265bps
11-May-16	CICC Hong Kong Finance 2016 MTN Ltd	BBB+/NR/BBB+	USD500mn	3-year	CT3+192.5bps
11-May-16	State Grid Overseas Investment (2016) Ltd	AA-/Aa3/A+	USD500mn	5-year	CT5+95bps
11-May-16	State Grid Overseas Investment (2016) Ltd	AA-/Aa3/A+	USD500mn	10-year	CT10+125bps

Source: OCBC, Bloomberg

Credit Headlines:

Ezra Holdings ("EZRA"): It was reported that Saudi Aramco has awarded a USD1bn+ contract to Larsen & Toubro ("L&T") and EMAS AMC. The contract is for the expansion of the offshore Hasbah sour gas field. Work includes building platforms and pipelines, with the field feeding the Fadhili gas plant. In July 2015, L&T and EMAS AMC had previously announced that they have formed a consortium, and that the consortium was awarded a long-term agreement with Saudi Aramco for six years (with options to extend a further six years). The scope of the work includes EPC and miscellaneous offshore construction services. We have last reported (please see Ezra Holdings Credit Update 19/04/16) that EZRA had successfully entered into a JV with Chiyoda in April 2016, with EZRA selling 50% of EMAS AMC to Chiyoda for USD150mn in cash. These infused both EZRA as well as EMAS AMC with fresh liquidity and was a credit positive for the issuer. Though we continue to hold the Issuer Profile at Negative given the challenging environment for EZRA's OSV division as well as general weakness of the offshore marine industry, we continue to be Overweight on EZRA's sole bond outstanding, the EZRASP'18s, given the attractive risk-reward (bond is trading at ~1250bps above swaps). (Reuters, Company, OCBC)

Hong Fok Corp. Ltd ("HFC"): HFC reported 1Q2016 results with revenue down 10.4% y/y to SGD15.6mn and EBITDA was down 25% y/y to SGD4.0mn. The company swung into a net loss for 1Q2016 as operating profit was insufficient to cover cost of financing. In development properties, HFC continued to face difficulties in moving units at its flagship development Concourse Skyline (119 units out of 360 units unsold, no sales in 2015) and its remaining 2 units at Jewel of Balmoral in Singapore. Contributions to 1Q2016 revenue and EBITDA were mainly from its investment properties segment which was also hit by soft conditions in commercial leasing. Net gearing increased to 31% (end-2015:29%) while LTM net debt/EBITDA climbed to 405x (2015:37.5x). We are comfortable with the company's liquidity position though, with SGD5.5mn in refinancing requirements over the next 4 quarters and capex for YOTEL which we estimate could be in the region of SGD30-50mn per annum adequately covered by SGD163.5mn in cash. We believe HFC will continue to face challenges in moving units in Concourse Skyline and earnings capacity will remain weak with the company's main earnings source its portfolio of investment properties. Capital expenditures (2015:SGD31.4mn) will be mainly for YOTEL (expected to be completed in 1H2017), which should contribute positively to the group's recurring income in the middle of 2017 onwards. We maintain our Underweight rating on the HFCSP curve as we believe leverage will continue to climb on weak earnings although the Winfoong disposal last year (SGD102.3mn in cash proceeds) has generated liquidity for the company. (Company, OCBC)

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