

Mar 18, 2016

Market Commentary: The entire SGD swap curve traded 12bps-15bps lower yesterday in sympathy with market movements following the Fed's dovish comments the day before. In the broader dollar space, JACI IG corporates spread widened by 1bp to 233bps, while the yield on the JACI HY corporates decreased by 8bps to 7.84%. The 10y UST decreased by 1bp to 1.90%.

New Issues: Lum Chang Holdings priced a SGD50mn 3-year bond at 5.5%, the issue is unrated. Shinhan Bank priced a USD500mn 10-year bond (Tier 2) at CT10+205bps, tightening from an initial guidance of CT10+230bps. The expected rating for the issue is "BBB+/Baa1/BBB+". Ascendas Pte Ltd priced a SGD75mn 10-year bond at 3.5%, in line with initial guidance. The issue is unrated. Zurich Insurance Group AG has mandated CITI, HSBC, JPM and MS as joint-lead managers for a USD-benchmarked 30.25NC10.25 subordinated bond. The expected rating for the Issue is "A/NR/NR".

Rating Changes: Moody's has concluded the rating reviews for six National Oil Companies (NOCs) in South and Southeast Asia. Moody's opined that oil prices have dropped substantially, but the impact of the drop in oil prices will vary from issuer to issuer depending on their production mix between oil and natural gas as well as other operational capabilities. As such Moody's affirmed the following:

1. Petronas "A1" issuer and senior unsecured debt ratings
2. Pertamina "Baa3" issuer and senior unsecured ratings
3. ONGC's "Baa1" domestic currency issuer rating and "Baa2" foreign currency issuer rating
4. Oil India Limited's "Baa2" issuer and senior unsecured ratings
5. PTTEP's "Baa1" issuer and senior unsecured ratings
6. PTT's "Baa1" issuer, senior unsecured bond and senior unsecured bank credit facility ratings

Table 1: Key Financial Indicators

	18-Mar	1W chg (bps)	1M chg (bps)		18-Mar	1W chg	1M chg
iTraxx Asiax IG	132	-4	-30	Brent Crude Spot (\$/bbl)	41.34	2.35%	20.60%
iTraxx Sovx APAC	62	-4	-16	Gold Spot (\$/oz)	1,258.98	0.76%	4.66%
iTraxx Japan	79	-3	-26	CRB	177.66	3.36%	9.74%
iTraxx Australia	130	-8	-26	GSCI	337.88	3.20%	12.94%
CDX NA IG	83	0	-34	VIX	14.44	-20.00%	-33.27%
CDX NA HY	103	0	5	CT10 (bp)	1.896%	-8.81	15.62
iTraxx Eur Main	71	2	-39	USD Swap Spread 10Y (bp)	-16	0	-2
iTraxx Eur XO	310	-2	-130	USD Swap Spread 30Y (bp)	-50	0	0
iTraxx Eur Snr Fin	80	5	-37	TED Spread (bp)	34	2	2
iTraxx Sovx WE	28	0	-5	US Libor-OIS Spread (bp)	26	3	3
iTraxx Sovx CEEMEA	160	-4	-31	Euro Libor-OIS Spread (bp)	11	0	-4
					18-Mar	1W chg	1M chg
				AUD/USD	0.764	0.94%	6.62%
				USD/CHF	0.967	1.56%	2.67%
				EUR/USD	1.131	1.35%	1.63%
				USD/SGD	1.353	1.48%	3.55%
Korea 5Y CDS	57	-3	-13	DJIA	17,481	2.86%	6.51%
China 5Y CDS	112	-6	-24	SPX	2,041	2.56%	6.40%
Malaysia 5Y CDS	145	-9	-35	MSCI Asiax	495	1.66%	7.51%
Philippines 5Y CDS	97	-6	-27	HSI	20,504	2.60%	5.89%
Indonesia 5Y CDS	183	-12	-58	STI	2,880	2.53%	8.38%
Thailand 5Y CDS	121	-11	-40	KLCI	1,703	0.73%	1.38%
				JCI	4,886	1.93%	2.24%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
17-Mar-16	Ascendas Pte Ltd	NR/NR/NR	SGD75mn	10-year	3.5%
17-Mar-16	Lum Chang Holdings	NR/NR/NR	SGD50mn	3-year	5.5%
17-Mar-16	Shinhan Bank	BBB+/Baa1/BBB+	USD500mn	10-year	CT10+205bps
16-Mar-16	Ascott REIT	NR/Baa3/NR	SGD120mn	8-year	4.0%
16-Mar-16	City Developments	NR/NR/NR	SGD115mn	5-year	2.93%
16-Mar-16	ABN Amro Bank	BBB-/Baa3/A-	USD300mn	15-year	5.6%
15-Mar-16	Axiata Berhad	BBB/Baa2/NR	USD500mn	10-year	CT10+240bps
15-Mar-16	BOCOM (Macau Branch)	A-/A2/NR	USD400mn	3-year	2.125%

Source: OCBC, Bloomberg

Rating Changes (cont.): Moody's also revised to negative from stable, the rating outlook on three Hong Kong banks – HSBC, Hang Seng Bank and Dah Sing Bank. The rating action reflects Moody's expectations of a more challenging operating environment for banks in Hong Kong. Moody's downgraded Bank of East Asia to "A3" from "A2", as Moody's considers that the government's support for the bank could be weaker than what Moody's had previously assessed. S&P downgraded Maoye International Holdings ("Maoye") to "B-" from "B", as S&P believes that Maoye's refinancing risk has increased, given the lack of improvement in its liquidity, limited visibility of potential assets disposals and continued high reliance on domestic bond markets for refinancing. All of Maoye's ratings are also placed on CreditWatch with negative implications to reflect the uncertainty over Maoye's refinancing plan. S&P downgraded China-based property developer Country Garden Holdings Co Ltd ("Country Garden") to "BB" from "BB+". This is due to Country Garden's deteriorating margins and leverage. Outlook is stable.

Credit Headlines:

Wingtai Properties ("WTP"): 2015 results showed total revenue declining 43.4% y/y to HKD1.0bn. This was largely driven by weakness in the property development segment, which saw revenue decline 84.2% y/y to just HKD149.2mn. Management highlighted that the Hong Kong residential property market remains volatile, with sentiment taking a distinct negative turn during 2H2015. Firm-wide performance was sustained by the rental and property management income segment, which saw revenue grow 2.7% y/y to HKD838.1mn. The majority of WTP's investment properties are grade A office space in Hong Kong, and these have proven to be resilient. That said, revaluation gains of investment properties have decelerated to HKD680.3mn for 2015, a sharp decline from HKD1592.6mn in 2014. As such, net profit declined as well by 43.5% y/y to HKD1.1bn. The revaluation gains helped improve WTP's credit profile, with net gearing falling from 10% (end-2014) to 7.3% (end-2015). HKD440mn in short-term debt is easily covered by the firm's HKD2.1bn in cash balance. Though we expect the domestic residential market in Hong Kong to remain challenging, the issuer's investment properties help to mitigate the downside and leverage ratios remain healthy. We currently rate WTP with a Positive Issuer Profile. (Company, OCBC)

CK Hutchison Holdings Ltd ("CKH"): CKH reported its first full year results under its reorganized structure, presenting pro-forma numbers as if its reorganization was effected on 1 January 2015 and comparing to Hutchison Whampoa Limited's (HWL) FY2014 results excluding discontinued property and hotels businesses. Overall, performance continues to reflect the benefit of CKH's diversified core businesses in ports, retail, infrastructure, energy and telecommunications which mitigated the weaker performance of Husky Energy (profit before impairments and asset write-downs down 92% y/y due to lower oil prices) as well as negative currency impacts from the stronger HKD. Adjusting for currency movements, underlying performance of CKH's ports (slightly higher throughput and lower power and fuel costs), retail (same store and new store expansion growth), infrastructure (acquisitions) and telecommunications (growth in customer base and service margins) continues to be solid and as such, credit ratios remain adequate for its current credit profile. We estimate debt/EBITDA of 3.3x for FY2015. We currently rate the Issuer Profile for CKH at neutral. (Company, OCBC).

CITIC Envirotech ("CEL"): CEL was awarded two projects amounting to RMB147mn (~SGD32mn). The first project consist of the formation of a joint venture with Xiaochang Philip Water Co. Ltd to invest in a 40,000 m3/day municipal wastewater treatment plant in Hubei Province, China. The second project located in Baiyi Industrial Park in Zao Zhuang City, Shandong Province consist of phase one: the acquisition of a 10,000 m3/day industrial wastewater treatment plant, to be upgraded using MBR technology and phase two: the building of a new 10,000 m3/day industrial wastewater treatment plant. We have lowered CEL's issuer profile and bond ratings to Neutral from Positive and Overweight respectively in light of (i) heightened volatility risk over the RMB, which currently contributes ~100% of CEL's operating cash flow against obligations on its foreign denominated debt and perp security (ii) deceleration of the Chinese industrial and manufacturing sector and (iii) uncertainties from on-going re-organisation of the state-owned sector. (Company, OCBC). Please refer to [OCBC Asia Credit - Citic Envirotech – Credit Update 150316](#)

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