

Mar 02, 2016

Market Commentary: The SGD swap curve traded 2bps-3bps lower yesterday across the curve. In the broader dollar space, JACI IG corporates spread was level at 251bps, while the yield on the JACI HY corporates decreased by 3bps to 8.12%. The 10y UST increased by 9bps to 1.82%.

New Issues: Sumitomo Mitsui FG has scheduled for investor meetings for a 5-year or 10-year USD bond issue. The expected ratings for the bond issue are "A/A1/NR".

Rating Changes: Moody's downgraded Sime Darby Bhd and Sime Darby Global Bhd ratings to "Baa1" from "A3". This is due to the extended period of weakness evident in Sime Darby's financial profile after it delayed plans to reduce its debt, while cash generation is deteriorating across its key plantation, industrial and motors segments due to the tough operating environment. Outlook is negative. Moody's also downgraded CITIC Resources Holdings Ltd long-term corporate family rating to "B1" from "Ba3", due to a decline in credit and cash positions due to lower prices for oil, metal and coal. Outlook is negative. Meanwhile, Fitch has downgraded China Fishery Group Ltd to "Restricted Default" from a previous rating of "C" after they have failed to pay a semi-annual coupon when the 30-day grace period expired on 29 February 2016. The Singapore-listed stock is currently still suspended from trading.

Table 1: Key Financial Indicators

	<u>2-Mar</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>		<u>2-Mar</u>	<u>1W chg</u>	<u>1M chg</u>
iTraxx Asiax IG	152	-8	-5	Brent Crude Spot (\$/bbl)	36.81	10.64%	7.51%
iTraxx SovX APAC	73	-5	-9	Gold Spot (\$/oz)	1,226.20	-0.21%	8.61%
iTraxx Japan	96	-8	8	CRB	163.87	2.14%	2.30%
iTraxx Australia	149	-9	0	GSCI	304.73	3.49%	6.72%
CDX NA IG	101	-14	-7	VIX	17.7	-15.63%	-19.47%
CDX NA HY	100	2	2	CT10 (bp)	1.821%	7.30	-2.34
iTraxx Eur Main	95	-16	-3	USD Swap Spread 10Y (bp)	-16	-1	-4
iTraxx Eur XO	388	-53	2	USD Swap Spread 30Y (bp)	-54	-2	-6
iTraxx Eur Snr Fin	103	-20	5	TED Spread (bp)	31	0	-1
iTraxx Sovx WE	33	0	10	US Libor-OIS Spread (bp)	21	-3	-2
iTraxx Sovx CEEMEA	182	-7	-18	Euro Libor-OIS Spread (bp)	15	2	2
					<u>2-Mar</u>	<u>1W chg</u>	<u>1M chg</u>
				AUD/USD	0.723	0.46%	2.70%
				USD/CHF	0.997	-0.85%	2.14%
				EUR/USD	1.087	-1.29%	-0.44%
				USD/SGD	1.401	0.29%	1.94%
Korea 5Y CDS	66	-6	-4	DJIA	16,865	2.64%	4.40%
China 5Y CDS	131	-5	-5	SPX	1,978	2.97%	3.96%
Malaysia 5Y CDS	169	-13	-34	MSCI Asiax	463	1.38%	1.61%
Philippines 5Y CDS	117	-6	-17	HSI	19,407	-0.04%	-0.20%
Indonesia 5Y CDS	226	-14	-24	STI	2,682	2.38%	4.00%
Thailand 5Y CDS	150	-11	-16	KLCI	1,671	0.40%	1.07%
				JCI	4,780	2.71%	4.20%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Ratings</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
01-Mar-16	Ausnet Services	NR/Baa2/NR	SGD200mn	60.5NC5.5	5.50%
29-Feb-16	Singapore Telecommunications Limited	A+/Aa3/A+	SGD250mn	7-year	2.895%
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:

Yanlord Land Group Ltd (“YLLG”): YLLG reported FY2015 results with revenue up 41.3% y/y to RMB16.58bn mainly due to a 39.6% y/y increase in delivered GFA to 590,170 sqm from the delivery of 5 new projects (2014:3 new projects). EBITDA was up 32.8% y/y to RMB3.5bn as EBITDA margins compressed to 21.2% from 22.8% due to the change in product mix. Contracted sales was RMB29bn, exceeding the 2015 target of RMB18bn. Cash increased to RMB17.5bn from RMB6.6bn due to strong collections from contracted sales while gross debt decreased by RMB1.5bn to RMB18.3bn putting the company in a net debt position of RMB744.7mn. Gearing improved to 2.4% from 31% and 60% from 67% on a net and gross basis, respectively. Gross debt/EBITDA improved from 7.40x to 5.21x. We remain Overweight on the YLLGSP 6.2% '17 (yielding 5.53%, 373bps over swaps) although noting that valuations have become relatively less attractive following outperformance this year with CENCHI 6.50% '17 widening 247bps while YLLGSP 6.2% '17 tightened 12bps YTD.

Hotel Properties Ltd (“HPL”): HPL reported FY2015 results with revenue down 6% y/y to SGD579.5mn. This was mainly due to weaker property development revenue (down 14% y/y to SGD100.2mn) due to TOP of Tomlinson Heights in March 2014 and lower sales at The Met condominium in Bangkok. Revenue contributions from the hotel segment was also weaker (down 4% y/y to SGD479.4mn) due to a generally challenging operating environment and as 1) HPL's Singapore portfolio was hit by strong competition and lower corporate demand; 2) refurbishment works at Four Seasons Resort Bali at Jimbaran Bay; and 3) Holiday Inn at Vanuatu closure for repairs after the cyclone in March 2015. Accordingly, 2015 EBITDA (before revaluation gains and JVs and associates) fell 18% y/y to SGD164.8mn. Cash as of 31 Dec 2015 increased to SGD159mn from SGD136.6mn in 2014 mainly due to net repayments of SGD111.9mn from associates due to collections at d'Leedon and The Interlace while gross debt decreased to SGD1.08bn from SGD1.14bn last year from repayment of borrowings. Consequently, net gearing fell to 47% from 52% in 2014. Leverage (debt/EBITDA) however went up due to weaker earnings to 6.54x from 5.64x and 5.58x from 4.96x on a gross and net basis, respectively. Interest coverage weakened as well to 4.87x from 6.11x. We maintain our Neutral issuer profile on HPL as the company's credit profile remains supported by decent interest coverage and recurring earnings from its hotel portfolio despite headwinds in Singapore residential. We are Overweight HPLSP 3.50% '18s, HPLSP 3.95% '19s and HPLSP 6.125% '49-c17 and Neutral the rest of the HPLSP curve.

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