

Jan 20, 2016

Market Commentary: The SGD swap curve bull steepened yesterday, with shorter-end rates trading 3bps-5bps lower. In the broader dollar space, JACI IG corporates spread was flat at 230bps while the yield on the JACI HY corporates increased by 2bps to 8.12%. 10y UST yield increased by 2bps to 2.06%.

New Issues: BOCOM priced a USD500mn 3-year bond at CT3+115bps, tightening from an initial guidance of CT3 +140bps. China Nonferrous Metal Co Ltd plans a USD 3-year bond which may be priced today, with IPT +170bps. Vista Land & Lifescapes Inc. mandated DBS and HSBC for investor meetings for a possible USD bond issue

Credit Headline:

First Real Estate Investment Trust ("FIRT"): Announced its FY2015 results yesterday evening. Given that OCBC is the agent involved in the ongoing consent solicitation, we have suspended our recommendations on First REIT and the FIRTSP '18's until the exercise is completed. (Company, OCBC)

China New Home Prices: Recovery trend in China property remains intact with prices up 0.2% m/m and 0.24% y/y in December 2015, according to data compiled by Bloomberg. Notably this represents the first y/y increase since August 2014. Recovery is even more evident on a weighted basis, Reuters China new home price index show prices up 1.6% y/y in December 2015, the third month of y/y increases. Broader based recovery taking shape as well with prices up in 39 cities compared to 33 in November. Prices in second tier cities were up 0.7% y/y, first y/y increases since August 2014. First tier cities continued to lead price gains with prices up 0.7% y/y, the first y/y increase since August 2014. Prices in Shenzhen are now up 47% y/y, which we think heightens policy risk in first tier cities. (Bloomberg, Reuters, OCBC)

Table 1: Key Financial Indicators

	20-Jan	1W chg (bps)	1M chg (bps)		20-Jan	1W chg	1M chg
iTraxx Asiax IG	154	6	12	Brent Crude Spot (\$/bbl)	28.76	-6.80%	-22.02%
iTraxx Sovx APAC	78	1	3	Gold Spot (\$/oz)	1,088.40	-0.47%	0.93%
iTraxx Japan	85	5	11	CRB	159.48	-2.89%	-7.36%
iTraxx Australia	146	4	13	GSCI	277.90	-3.38%	-9.59%
CDX NA IG	110	6	15	VIX	26.05	7.20%	25.85%
CDX NA HY	98	-1	-2	CT10 (bp)	2.049%	-4.40	-15.53
iTraxx Eur Main	96	9	12	USD Swap Spread 10Y (bp)	-15	0	-10
iTraxx Eur XO	376	24	36	USD Swap Spread 30Y (bp)	-48	-1	-15
iTraxx Eur Snr Fin	90	9	12	TED Spread (bp)	39	-3	-3
iTraxx Sovx WE	18	1	0	US Libor-OIS Spread (bp)	24	0	2
iTraxx Sovx CEEMEA	216	16	39	Euro Libor-OIS Spread (bp)	12	1	1
					20-Jan	1W chg	1M chg
				AUD/USD	0.690	-0.75%	-3.99%
				USD/CHF	1.003	0.32%	-1.05%
				EUR/USD	1.092	0.38%	0.03%
				USD/SGD	1.437	-0.04%	-2.02%
Korea 5Y CDS	69	4	10	DJIA	16,016	-2.33%	-6.50%
China 5Y CDS	128	6	14	SPX	1,881	-2.20%	-6.19%
Malaysia 5Y CDS	214	8	21	MSCI Asiax	454	-1.55%	-8.29%
Philippines 5Y CDS	129	6	15	HSI	19,636	-0.39%	-9.74%
Indonesia 5Y CDS	252	5	9	STI	2,638	-1.98%	-7.51%
Thailand 5Y CDS	162	10	18	KLCI	1,629	-0.74%	-0.89%
				JCI	4,492	-0.46%	0.52%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Jan-16	Bank of Communications Ltd	A-/A2/NR	USD500mn	3-year	CT3+115bps
15-Jan-16	Huaneng Hong Kong Capital Ltd	NR/NR/NR	USD500mn	Perp NC3	4.3%
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%

Source: OCBC, Bloomberg

Keppel Corp ("KEP") & Sembcorp Industries ("SCI"): It was reported that Petrobras' pension fund, which holds 18% of Sete Brasil, has vetoed the proposal to take Sete Brasil through bankruptcy protection. For approval, the restructuring would have needed the vote of 85% of shareholders. A further meeting will be held to discuss the matter within 30 days. We believe that the looming 4Q2015 results by KEP and SCI will be crucial in determining the severity of any credit deterioration resulting from the restructuring of Sete Brasil. (Folha, OCBC)

CapitaLand Commercial Trust ("CCT"): Reported preliminary FY2015 results. Aggregate leverage improved slightly q/q from 30.1% to 29.5%. This was partially driven by increases in portfolio valuation, which was up 1.6% y/y to SGD7478.1mn. Interest coverage improved q/q as well from 7.3x to 7.4x. Though revenue and NPI both improved on a y/y basis, on a q/q basis they declined 1.1% and 0.7% respectively. Overall occupancy improved q/q from 96.4% to 97.1%. That said, the improvements were mainly from CapitaGreen improving from 85.5% (end-3Q2015) to 91.3% (end-4Q2015). Its other large assets either remained soft, or saw occupancies dip. CCT managed to increase average portfolio rent from SGD8.61 psf to SGD8.90 psf, supported by positive reversions of expiring rents. CCT has already managed to re-contract about 1/3 (by NLA) of leases expiring in 2016. CCT has about SGD626mn worth of borrowings due in 2016. These all relate to CCT's Raffles City stake. We continue to believe that CCT will eventually acquire the balance 60% of CapitaGreen, which would likely result in an increase in CCT's aggregate leverage. We will continue to hold CCT's issuer profile at Neutral. (Company, OCBC)

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