

Apr 22, 2016

**Market Commentary:** The SGD swap curve traded upwards yesterday across the curve, with the short-end rates trading 6bps-10bps higher, while the belly-to-long-end rates traded 10bps-12bps higher. Flows in the SGD corporates were moderate, where we saw better buyers in WSTP 4%'27s, SINTEC 4.05%'25s, better sellers in FCLSP 5%'49s and mixed interests in GENSSP 5.125%'49s and ABNANV 4.75%'26s. In the broader dollar space, the spread on the JACI IG corporates tightened by 2bps, while the yield on the JACI HY corporates increased by 6bps to 7.49%. 10y UST yield increased by 1bp to 1.86%.

**New Issues:** Sydney Airport priced a USD900mn 10-year bond at CT10+175bps, tightening from an initial guidance of CT10+200bps. The expected rating for the issue is "BBB/Baa2/NR". Hongkong Electric Co Ltd priced a USD750mn 10-year bond at CT10+112.5bps, tightening from an initial guidance of CT10+135bps. The expected rating for the issue is "A-/NR/NR". Maybank may price a USD benchmark size tier 2 10.5NC5.5 bond with IPT at the 280bps area today. JD.com Inc is also looking to issue benchmark USD 5 and 10-year paper with IPT in the CT5+215bps and CT10+245bps region, respectively.

**Rating Changes:** Moody's downgraded Nippon Steel & Sumitomo Metal Corp ("NSSM") to "Baa1" from "A3", concluding the review for downgrade initiated on 3 Feb 2016. The rating downgrade principally reflects the consideration that NSSM's announced initiatives, which Moody's expect will be largely debt funded, will strain the company's key financial metrics and its ratings. Fitch has affirmed the "BBB-" ratings on two major Philippine banks – Bank of the Philippine Islands ("BPI") and Metropolitan Bank & Trust Company ("Metrobank"). Outlook is stable. At the same time, Fitch has upgraded BDO Unibank Inc's issuer default rating to "BBB-" from "BB+". These ratings take into account the steady improvement in the Philippine operating environment over the last several years. Outlook is stable for BDO Unibank Inc.

**Table 1: Key Financial Indicators**

	22-Apr	1W chg (bps)	1M chg (bps)		22-Apr	1W chg	1M chg
iTraxx Asiax IG	138	-4	-15	Brent Crude Spot (\$/bbl)	44.81	3.97%	7.23%
iTraxx Sovx APAC	56	0	-1	Gold Spot (\$/oz)	1,248.72	1.19%	-0.23%
iTraxx Japan	66	-8	-26	CRB	179.88	2.92%	1.56%
iTraxx Australia	127	-8	-19	GSCI	348.33	2.55%	3.20%
CDX NA IG	74	-6	-7	VIX	13.95	1.68%	-1.55%
CDX NA HY	103	1	1	CT10 (bp)	1.865%	11.28	-7.57
iTraxx Eur Main	68	-5	-5	USD Swap Spread 10Y (bp)	-14	1	2
iTraxx Eur XO	291	-27	-10	USD Swap Spread 30Y (bp)	-47	-1	3
iTraxx Eur Snr Fin	81	-8	-7	TED Spread (bp)	41	-1	8
iTraxx Sovx WE	26	-1	0	US Libor-OIS Spread (bp)	25	-1	1
iTraxx Sovx CEEMEA	130	-6	-17	Euro Libor-OIS Spread (bp)	10	0	-1
					22-Apr	1W chg	1M chg
				AUD/USD	0.776	0.40%	2.13%
				USD/CHF	0.975	-0.68%	-0.36%
				EUR/USD	1.129	0.07%	0.70%
				USD/SGD	1.349	0.64%	0.86%
Korea 5Y CDS	64	-1	0	DJIA	17,983	0.31%	2.27%
China 5Y CDS	123	1	-3	SPX	2,091	0.42%	2.03%
Malaysia 5Y CDS	156	3	-4	MSCI Asiax	516	0.57%	2.46%
Philippines 5Y CDS	99	-2	-5	HSI	21,622	1.33%	4.62%
Indonesia 5Y CDS	195	-7	-7	STI	2,961	1.61%	2.78%
Thailand 5Y CDS	126	2	-12	KLCI	1,721	-0.13%	-0.19%
				JCI	4,903	1.83%	0.97%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
21-Apr-16	Sydney Airport	BBB/Baa2/NR	USD900mn	10-year	CT10+175bps
21-Apr-16	Hongkong Electric Co Ltd	A-/NR/NR	USD750mn	10-year	CT10+112.5bps
20-Apr-16	BOC Aviation	BBB+/NR/A-	USD750mn	10-year	CT10+215bps
20-Apr-16	Government of Malaysia	A-/A3/A-	USD1bn	10-year	CT10+135bps
20-Apr-16	Government of Malaysia	A-/A3/A-	USD500mn	30-year	CT30+145bps
20-Apr-16	Vimpelcom	B+/B1/BB+	USD500mn	4-year	6.25%
20-Apr-16	Vimpelcom	B+/B1/BB+	USD700mn	7-year	7.25%
19-Apr-16	Housing and Development Board	NR/Aaa/NR	SGD675mn	5-year	1.75%

Source: OCBC, Bloomberg

## Credit Headlines:

Frasers Centrepoint Trust ("FCT"): 2QFY2016 and 1HFY2016 results showed gross revenue more or less flat compared to previous corresponding periods at SGD47.1mn and SGD94.2mn respectively (2QFY2015: SGD47.5mn; 1HFY2016: SGD94.7mn). Revenues were mildly impacted by AEI at Northpoint which impacted overall portfolio occupancy rate falling to 92% as at 31 March 2016, down 2.5% q/q and 5.1% y/y. This was mitigated by relatively solid rental reversions during 1HFY2016 which were on average a 12% increase over the expiring leases versus a 6.3% average for FY2015. Owing to a 14.4% fall in maintenance expenses, net property income for 1HFY2016 was slightly improved by 1.2% to SGD67.2mn. Borrowing costs were also down by 14% for the YTD as average borrowing costs declined to 2.29% from 2.36% in the prior quarter resulting in net income up 4.2% to SGD50.4mn for 1HFY2016. Given the stable operating performance, aggregate leverage remained stable at 28.3% (end-FY2015: 28.2%). We currently rate FCT's Issuer Profile at Neutral. (Company, OCBC)

Suntec REIT ("SUN"): SUN reported Q12016 results. Gross revenue rose by 5.2% to SGD78m vs. SGD74.5m. Stronger performance from Suntec City Mall's opening of Phase 3, Suntec City office and convention center helped offset the loss of SGD6m revenue contribution from Park Mall, which has been divested in December 2015. Debt-to-asset remains healthy at 35%. Excluding share of results from joint ventures, Q12016 EBITDA/Interest coverage was 1.2x (Q12015: 1.8x) due to a one-time write off of unamortised transaction costs in relation to convertible bonds that were redeemed in March 2016. Adjusting for this one-off item, EBITDA/Interest coverage will be 1.5x. Including the Total income contribution from joint ventures (one-third interest in One Raffles Quay and Marina Bay Financial Centre) declined to SGD22.3m from SGD24m, largely due to the expiry of SGD2.9m income support from MBFC. (Company, OCBC)

Guocoland Ltd ("Guocoland") reported 9MFY2016 results with revenue and EBITDA down 7% y/y to SGD845mn and SGD197.7mn, respectively. Gross margins were stable at 30%. The TOP of DC residency in their flagship integrated project Damansara City in Malaysia failed to fully offset the lack of enbloc sale of serviced apartments and office tower in Shanghai in the prior period last year. Leverage remained stable with net gearing (net debt/equity) in a range of 57% to 59% after the Dongzhimen sale in 1QFY2016 but having vastly improved from a year ago (143%). Net debt/EBITDA for 9MFY2016 remained elevated at 8.15x, but was a vast improvement from 16.5x in 9MFY2015. Going forward, leverage could increase in the near term depending on how the company funds the call of its SGD200mn perp in May. We estimate net gearing could increase to 68% from 59% currently if funded using internal resources. The company has not issued a call notice (must be issued 1 month in advance with call date at 27 May), but we think the perps will be called as the reset at initial spread (411bps) + SDSW3 (181bps) + step up (100bps) will see coupons increase from 4.70% to 6.92% if not called. That said, we believe the company still has room to deleverage with cash at historically high levels (SGD1.66bn compared to ~SGD800mn over the past 6 years, or 20% of total assets currently from 10% over the past 6 years) from the Dongzhimen sale proceeds. The completion of Tanjong Pagar Centre in the middle of this year will also be another positive catalyst for the company although the office take-up has been slow with pre-commitments for 890,000 sq ft of office space at 18% as of 7 April 2016. We maintain a Positive issuer profile on Guocoland. (Company, OCBC)

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