

Apr 26, 2016

Market Commentary: The SGD swap curve was range-bound yesterday, with the short-end rates trading 1bp lower while the rest of the curve traded 1bp-2bps higher. In the broader dollar space, the spread on the JACI IG corporates widened slightly by 1bp to 226bps, while the yield on the JACI HY corporates was level at 7.57%. 10y UST yield was relatively level at 1.91%

New Issues: Bank Muscat priced a USD500mn 5-year bond at MS+260bps, tightening from an initial guidance of MS+275bps. The expected rating for the issue is "BBB-/A3/BBB+". Sinopec Group Overseas Development Ltd priced a four-part deal yesterday, with the USD1bn 3-year bond priced at CT3+120bps, the USD900mn 5-year bond priced at CT5+142.5bps, the USD700mn 10-year bond priced at CT10+170bps and the USD400mn 30-year bond priced at CT30+153.5bps. The respective deals tightened from an initial guidance of CT3+125bps, CT5+145bps, CT10+175bps and CT30+155bps respectively. The expected ratings for the issues are "A+/Aa3/NR".

Rating Changes: Fitch downgraded Jingrui Holdings Ltd's long-term foreign currency issuer default rating to "B-" from "B". The downgrade reflects the significant challenges the Chinese homebuilder faces in shifting its business focus to higher-tier cities. Outlook is negative. Moody's upgraded the issuer rating of Frasers Commercial Trust to "Baa2" from "Baa3". The upgrade reflects the sustained strengthening of Frasers Commercial Trust's financial profile, driven by its prudent financial management and healthy operating performance. Outlook is stable. Meanwhile, Moody's withdrew OUE Hospitality REIT's "Ba1" corporate family rating. The rating outlook was stable at the time of its withdrawal. Moody's disclosed that the withdrawal was due to its own business reasons. S&P revised the outlook for Tencent Holdings' "A" foreign currency rating to positive from stable, with no further details furnished (on Bloomberg)

Table 1: Key Financial Indicators

	26-Apr	1W chg (bps)	1M chg (bps)		26-Apr	1W chg	1M chg
iTraxx Asiax IG	143	7	-12	Brent Crude Spot (\$/bbl)	44.48	3.66%	9.99%
iTraxx SovX APAC	58	2	-1	Gold Spot (\$/oz)	1,238.60	-0.32%	1.78%
iTraxx Japan	67	-6	-25	CRB	178.87	2.73%	3.88%
iTraxx Australia	131	-1	-16	GSCI	345.23	2.79%	5.28%
CDX NA IG	75	-1	-9	VIX	14.08	5.47%	-4.48%
CDX NA HY	103	0	1	CT10 (bp)	1.913%	14.17	1.28
iTraxx Eur Main	71	1	-6	USD Swap Spread 10Y (bp)	-14	0	-1
iTraxx Eur XO	304	0	-18	USD Swap Spread 30Y (bp)	-47	-1	0
iTraxx Eur Snr Fin	86	-1	-10	TED Spread (bp)	38	-5	4
iTraxx Sovx WE	26	-1	-1	US Libor-OIS Spread (bp)	24	-1	1
iTraxx Sovx CEEMEA	132	4	-22	Euro Libor-OIS Spread (bp)	10	0	0
					26-Apr	1W chg	1M chg
				AUD/USD	0.772	-0.91%	2.51%
				USD/CHF	0.975	-1.16%	0.21%
				EUR/USD	1.127	-0.58%	0.95%
				USD/SGD	1.352	-0.68%	1.29%
Korea 5Y CDS	65	3	-4	DJIA	17,977	-0.15%	2.63%
China 5Y CDS	128	10	-1	SPX	2,088	-0.31%	2.55%
Malaysia 5Y CDS	163	1	-2	MSCI Asiax	509	-1.25%	2.58%
Philippines 5Y CDS	104	8	-6	HSI	21,304	0.68%	4.71%
Indonesia 5Y CDS	199	6	-11	STI	2,900	-0.60%	1.86%
Thailand 5Y CDS	126	6	-14	KLCI	1,715	-0.18%	0.63%
				JCI	4,879	0.27%	1.07%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
25-Apr-16	Bank Muscat	BBB-/A3/BBB+	USD500mn	5-year	MS+275bps
25-Apr-16	Sinopec Group Overseas Development Ltd	A+/Aa3/NR	USD1bn	3-year	CT3+120bps
25-Apr-16	Sinopec Group Overseas Development Ltd	A+/Aa3/NR	USD900mn	5-year	CT5+142.5bps
25-Apr-16	Sinopec Group Overseas Development Ltd	A+/Aa3/NR	USD700mn	10-year	CT10+170bps
25-Apr-16	Sinopec Group Overseas Development Ltd	A+/Aa3/NR	USD400mn	30-year	CT30+153.5bps
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

Source: OCBC, Bloomberg

Credit Headlines:

Mapletree Industrial Trust ("MINT"): MINT released its 4th quarter and full year results for the year ended March 2015 ("FY2016") yesterday evening. Gross revenue this quarter rose by 5.8% to ~SGD84m (4Q2015: SGD79.4m), however compared to the immediately preceding quarter, gross revenue growth was more muted at ~1% increase. Net property income ("NPI") increased by 7.4% to SGD62m from 4Q2015 and 0.2% from the immediately preceding quarter. For the full year, MINT's gross revenue increased by 5.6% to SGD331.6m (FY2015: SGD313.9m) while NPI grew by 7.2% to SGD245m (FY2015: SGD229m) on the back of contribution from Equinix (a built to suit property). MINT continues to have a healthy EBITDA/(Total Interest) ratio at 8.4x (FY2015: 8.6x). Whilst portfolio occupancy is commendable at ~95%, weighted average lease expiry ("WALE") is at 2.8 years, declining from 3.1 years in FY2015, with 21% of leases expiring this year and ~31% in the 12 months starting April 2017. Average passing rent has grown by 3% to SGD1.90 psf/month from SGD1.84 psf/month. However, we believe this is largely attributed to lease terms "baked" into existing contracts. We expect rental revisions to be muted this year as MINT replenishes expiring leases. (Company, OCBC)

Sembcorp Industries / Sembcorp Marine ("SCI" / "SMM"): In the process of resolving the jack-up rig contract dispute with Marco Polo Marine ("MPM"), SMM had originally pursued two parallel tracks: 1) commencing an action via the Singapore High Court against MPM (the parent company to Marco Polo Drilling (I) Pte Ltd, ("MPD"), the entity that originally purchased the rig from SMM) who was guarantor to MPD's contract 2) initiated arbitration proceedings against MPD. On 26/04/16, it was announced that MPD successfully obtained a stay on the action commenced in the Singapore High Court in favour of the on-going arbitration process. SMM has indicated that it would either appeal against the stay to continue the action in the High Court, or continue to pursue the claims via the arbitration proceedings. The contract (original value USD214.3mn) has already been terminated, with the revenues reversed during 4Q2015. We do not believe that the new developments have impacted SCI's credit profile. SCI is currently rated Neutral Issuer Profile. (Company, OCBC)

Gallant Venture Ltd ("GALV"): GALV has entered into an agreement to dispose of its interest in the Lao Xi Men Project development project in Shanghai for SGD445.3mn to Universal Global, a Hong Kong based investment company. GALV will dispose of SGD447.19mn of notes and detachable warrants for a net loss of SGD1.89mn. The transaction will be undertaken in tranches and will only be fully complete on 30 April 2017. Completion of the first phase will be on 29 April 2016, generating USD145mn (~SGD196mn), including accrued interest. We view this transaction as credit positive as the Lao Xi Men project has been plagued with delays and the proceeds will improve the company's liquidity profile and be used to reduce leverage. The total size of the transaction is sizable, representing 22% of the company's net asset value and according to company estimates will reduce net debt/shareholders equity to 114% from 140%. (Company, OCBC)

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Nicholas Koh Jun Ming

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
NicholasKoh@ocbc.com

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