

Jan 26, 2016

**Market Commentary:** The SGD swap curve traded 2bps-4bps higher yesterday. In the broader dollar space, JACI IG corporates spread was flat at 237bps, while the yield on the JACI HY corporates increased by 1bp to 8.28%. 10y UST yields decreased by 5bps to 2%. Pacific Andes released a statement saying they are unable to meet the SGD186mn bond repayment to investors who exercised their put option. Elsewhere, China Oriental offered to buy back all \$114m outstanding of its 7%’17 notes at \$985 per \$1,000 principal amount. The purpose of the buyback is to reduce outstanding indebtedness and eliminate substantially restrictive covenants (Bloomberg).

**Rating Changes:** Moody’s has downgraded Wuzhou International Holdings Limited’s corporate family rating to “Caa1” from “B2”, citing Wuzhou’s increased level of liquidity risk. Outlook is negative. Moody’s also downgraded SK E&S Co Ltd’s issuer rating to “Baa2” from “Baa1”, and its preferred stock rating to “Ba1” from “Baa3”, citing SK E&S’s delay in implementing deleveraging measures which will hold back recovery in its credit metrics over the next 1-3 years. Outlook is negative. Following the lowering of its oil price assumption on 12 Jan 2016, S&P lowered the following ratings :

China Petrochemical Corp. (Sinopec Group) and issue ratings that Sinopec Group guarantees to “A+” from “AA”.

Sinopec Century Bright Capital Investment Ltd. to “A” from “A+”.

MIE Holdings Corp to “B-” from “B”.

CNOOC Ltd to “A+” from “AA-”.

CITIC Resources Holdings to “BB-” from “BB”.

China Petroleum & Chemicals Corp to “A+” from “AA-”.

China Petrochemical Corp to “A+” from “AA-”.

China National Offshore Oil Corp to “A+” from “AA-”.

The outlook is stable for all above rating changes by S&P.

**Table 1: Key Financial Indicators**

	26-Jan	1W chg (bps)	1M chg (bps)		26-Jan	1W chg	1M chg
iTraxx Asiax IG	157	3	22	Brent Crude Spot (\$/bbl)	30.50	6.83%	-19.50%
iTraxx Sovx APAC	77	0	5	Gold Spot (\$/oz)	1,108.07	1.90%	3.65%
iTraxx Japan	90	5	17	CRB	160.46	0.33%	-8.88%
iTraxx Australia	144	-2	18	GSCI	283.15	1.42%	-9.83%
CDX NA IG	107	-4	16	VIX	24.15	-10.62%	53.43%
CDX NA HY	99	1	-2	CT10 (bp)	2.006%	-4.92	-23.46
iTraxx Eur Main	93	-2	15	USD Swap Spread 10Y (bp)	-13	2	-6
iTraxx Eur XO	374	-2	49	USD Swap Spread 30Y (bp)	-46	2	-10
iTraxx Eur Snr Fin	90	0	18	TED Spread (bp)	34	-6	-7
iTraxx Sovx WE	20	2	3	US Libor-OIS Spread (bp)	22	-1	-1
iTraxx Sovx CEEMEA	199	-16	23	Euro Libor-OIS Spread (bp)	14	2	3
					26-Jan	1W chg	1M chg
				AUD/USD	0.695	0.54%	-4.18%
				USD/CHF	1.013	-0.96%	-2.47%
				EUR/USD	1.085	-0.54%	-1.09%
				USD/SGD	1.431	0.42%	-1.75%
Korea 5Y CDS	67	-2	11	DJIA	15,885	-0.64%	-9.50%
China 5Y CDS	131	3	21	SPX	1,877	-0.17%	-8.92%
Malaysia 5Y CDS	207	-7	20	MSCI Asiax	453	-0.24%	-10.13%
Philippines 5Y CDS	131	2	23	HSI	19,340	0.53%	-12.64%
Indonesia 5Y CDS	256	4	25	STI	2,583	-0.40%	-10.25%
Thailand 5Y CDS	164	2	28	KLCI	1,625	-0.21%	-2.30%
				JCI	4,506	0.55%	-0.37%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
25-Jan-16	Housing Development Board of Singapore	Aaa/NR/NR	SGD1bn	7-year	2.5%
22-Jan-16	KEB Hana Bank	A/A1/A-	USD300mn	5-year	CT5+125bps
21-Jan-16	China Nonferrous Metal Co Ltd	Nr/NR/NR	USD500mn	3-year	CT3+145bps
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%

Source: OCBC, Bloomberg

## Credit Headlines:

Ascott Residence Trust ("ART"): ART reported its FY2015 results with revenue up 18% y/y to SGD421.1mn and gross profit up 14% to SGD204.6mn. The higher performance was due to ART's acquisitions in 2015 and 2014, particularly those in Australia, Japan and the US in 2015 worth SGD609mn. Performance of ART's existing assets was also somewhat solid in FY2015 with RevPAU up 4% y/y due to completed AEs as well as better demand for properties in China, Japan and Vietnam. This offset weaker performance in Singapore and Australia as well as decreased revenues from divestments. ART has continued with its SGD6bn growth target with acquisitions in New York, Melbourne, Osaka, Tokyo and Kyoto bringing total assets to SGD4.7bn. As such, leverage has remained elevated at 39.3% according to the company as at 31 Dec 2015, a slight decrease from FY2014 (40%). Gearing remained in check largely due to the issuance of SGD250mn in perpetual securities. While we think ART's ambitious growth target could pressure credit metrics, our 'Neutral' issuer profile continues to be supported by the company's diversified portfolio with stable master leases. (Company, OCBC)

Future Land Development Holdings ("FUTLAN"): The FUTLAN curve plunged ~10pts yesterday on news that chairman and controlling holder Wang Zhenhua is under investigation by the Commission on Discipline Inspection of Wujin of Changzhou in Mainland China. The company said in a statement to the Hong Kong stock exchange that the investigation was for personal reasons and that Wang could still take part in decision making via "appropriate means". S&P said that its ratings and outlook on Future Land ("BB-", stable) are not immediately affected by the announcement while Moody's downgraded the outlook on the company's "Ba3" rating to negative to reflect the uncertainty over the company's operations and funding support created by the investigation of its key shareholder. According to the SCMP, this follows the investigation of Lin Guangyao, deputy party chief of Changzhou's Wujin district for serious disciplinary violations on 11 January 2016. Wang founded FUTLAN in Changzhou in 1993 before shifting headquarters to Shanghai in 2009. (South China Morning Post, Bloomberg)

Mapletree Logistics Trust ("MLT"): MLT announced its 3Q2016 results yesterday, with net property income ("NPI") up 5.4% y/y and 6.7% on a q/q basis. Growth in NPI was on the back of higher contributions from newly acquired properties in Australia, Korea and Vietnam (completed during 9M2016) and full contribution from four earlier acquired properties in China, Korea and Singapore. Corresponding to MLT's move towards better geographical diversification from the rest of the Asia-Pacific region, the proportionate contribution from Singapore and Japan has declined to 39.6% and 19% respectively (9M2015: 43% and 20.6% respectively). Occupancy rate remains commendable at 96.9% with healthy weighted average lease expiry of 4.7x (by net lettable area). Aggregate leverage has increased slightly to 39.0% while EBITDA/gross interest decreased to 6.1x (1H2016: 6.5x). We note that this ratio has decreased from 7.4x in FY2015, driven by debt-funded acquisitions in the past 9 months. We believe debt funding contributed to the attractiveness of the Coles Chilled Distribution Centre transaction, an Australian property valued at SGD253mn and acquired on an initial 5.6% NPI yield, which was lower than that exhibited by the MLT portfolio immediately prior to acquisition. Whilst credit metrics have deteriorated, we continue to see refinancing risk as low. As at 31 December 2015, weighted average debt duration is 3.3 years, with ~80% of total debt hedged into fixed interest rates. Short term unsecured borrowings repayable in less than one year stands at SGD306mn against cash balances of SGD122mn. (Company, OCBC)

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