

Jan 27, 2016

Market Commentary: The SGD swap rates were down 2bps-5bps across the curve with the exception of the 1 year rate which traded up 2bps. Spread on JACI IG corporates widened by 2bps to 239bps, while the yield on the JACI HY corporates was flat at 8.34%. 10y UST yields decreased by 1bp to 1.99%, ahead of the release of the FOMC statement tomorrow night.

Credit Headlines:

Mapletree Industrial Trust ("MINT"): MINT announced their 3Q2016 results yesterday, with net property income ("NPI") up 7.2% y/y and 6.7% on a q/q basis. Growth in NPI was on the back of contribution from the Equinix data centre, a built-to-suit data center opened in March 2015. Higher occupancy was also achieved during the 3Q2015 at 94.7% versus 93.8% in the preceding quarter. Weighted average lease expiry declined to 2.9 years from 3.1 years reported as at 30 September 2015. Rental rates were marginally higher at S\$1.89 psf/month, despite overall weakening in the industrial space. Aggregate leverage remains healthy at 29% while EBITDA/gross interest remained stable at 8.5x (1H2015: 8.4x), providing sufficient debt headroom for the completion of a built-to-suit project for Hewlett-Packard (targeted completion in 1H2017) and AEI works at Kallang Basin 4 (targeted completion in 1Q2018). Both collectively have an estimated cost of S\$303m. 85.6% of borrowings is hedged for 2.1 years while the weighted average tenor of debt is at 3.6 years, posing low refinancing risk. (Company, OCBC)

Table 1: Key Financial Indicators

	27-Jan	1W chg (bps)	1M chg (bps)		27-Jan	1W chg	1M chg
iTraxx Asiax IG	154	-7	19	Brent Crude Spot (\$/bbl)	31.80	10.57%	-16.07%
iTraxx Sovx APAC	74	-6	2	Gold Spot (\$/oz)	1,119.70	2.27%	4.44%
iTraxx Japan	92	-2	19	CRB	162.68	2.00%	-7.62%
iTraxx Australia	145	-7	19	GSCI	288.83	3.93%	-8.02%
CDX NA IG	104	-7	14	VIX	22.5	-13.63%	42.95%
CDX NA HY	99	1	-2	CT10 (bp)	1.994%	-6.14	-24.68
iTraxx Eur Main	92	-7	14	USD Swap Spread 10Y (bp)	-14	0	-7
iTraxx Eur XO	371	-24	46	USD Swap Spread 30Y (bp)	-46	1	-11
iTraxx Eur Snr Fin	89	-7	17	TED Spread (bp)	31	-7	-9
iTraxx Sovx WE	20	1	3	US Libor-OIS Spread (bp)	23	-2	0
iTraxx Sovx CEEMEA	197	-22	20	Euro Libor-OIS Spread (bp)	14	1	3
					27-Jan	1W chg	1M chg
				AUD/USD	0.701	2.23%	-3.51%
				USD/CHF	1.017	-1.52%	-2.93%
				EUR/USD	1.086	-0.59%	-1.12%
				USD/SGD	1.426	0.86%	-1.28%
Korea 5Y CDS	66	-6	10	DJIA	16,167	0.94%	-7.89%
China 5Y CDS	125	-8	15	SPX	1,904	1.19%	-7.64%
Malaysia 5Y CDS	198	-27	11	MSCI Asiax	445	1.19%	-11.67%
Philippines 5Y CDS	126	-8	18	HSI	18,861	-3.95%	-14.80%
Indonesia 5Y CDS	245	-18	14	STI	2,546	-3.52%	-11.54%
Thailand 5Y CDS	159	-11	23	KLCI	1,627	0.25%	-2.22%
				JCI	4,510	0.42%	-0.27%

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

Keppel Corp ("KEP") and Sembcorp Industries ("SCI"): Bloomberg reported that Temasek Holdings was discussing options for KEP (21% owned by Temasek) and SCI (49.5% owned by Temasek). Given the pressure faced by KEP's and SCI's offshore marine segments, Temasek was rumoured to be considering the possibility of KEP generating liquidity via the sale of KEP's holdings in M1, or even K-REIT. Discussions were also made regarding potential rights issues by KEP and SCI. The discussions were in the context of Temasek preserving the value of its investments in KEP and SCI given the slump in offshore marine, and will be shared with KEP's and SCI's boards. In our view, KEP has more levers to pull to generate liquidity. For example, KEP still has the balance 49% in their Merlimau CoGen which they can monetize. In addition, in the event that a rights issue does happen, and Temasek subscribing their pro-rata share in the rights issue, we will consider this to be a credit positive for both KEP and SCI. For now, we will continue to monitor developments and await SCI / SMM's 4Q15 results in mid-February. (Bloomberg, OCBC)

Suntec REIT ("SUN"): 4Q2015 results showed revenue up 13.9% y/y and NPI up 17.9% y/y, driven by contribution of Suntec City phase 3 AEI completion. Both office and retail occupancy improved q/q to 99.3% (3Q2015: 98.9%) and 97.9% (3Q2015: 97.9%) respectively. One area of concern though, would be that SUN has 27.0% of retail NLA expiring in 2016. For 2015, SUN also saw revaluation gains of SGD128.7mn on its portfolio. It should be noted that SUN acquired some strata office assets in Suntec city for SGD102mn, as well as divested most of its stake in Park Mall. The strata assets were funded by a SGD105mn bond issue during the quarter. In all, aggregate leverage inched higher to 37.1% (3Q2015: 36.7%). As of end-2015, SUN had SGD370mn in ST debt. It has already refinanced SGD120mn in loans in January 2016, and had ~SGD200mn available in its loan facilities. In addition, SUN had SGD445.3mn in cash on its balance sheet. As such, SUN should be able to manage its 2016 maturities. We will retain our Neutral issuer profile on SUN. (Company, OCBC)

Starhill Global REIT ("SGREIT"): 2Q2016 results showed revenue up 13.8% y/y, while NPI was up 10.2% y/y. SGREIT benefited from contributions from their Myers Centre Adelaide asset. Growth from their Singapore assets (~60% of revenue, ~67% of NPI) seemed to have slowed though. Total occupancy inched slightly lower to 98.0% (1Q2016: 98.3%) due to a dip in Singapore retail asset occupancy, but committed leases would bring Singapore retail occupancy back to 100% hence portfolio occupancy should recover. Aggregate leverage was unchanged q/q at 35.7%, though it is expected to fall to 35.1% post the Japanese asset divestment in January 2016. In addition, SGREIT has no meaningful maturities till FY2018 (ending June 2018). We will retain our Neutral issuer profile on SGREIT. (Company, OCBC)

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