

Jan 28, 2016

Market Commentary: The SGD swap curve traded 2bps-4bps lower yesterday. In the broader dollar space, JACI IG corporates spread widened by 2bps to 241bps, while the yield on the JACI HY fell by 2bps to 8.32%. 10y UST yield was flat at 2%.

Rating Changes: S&P downgraded Nord Anglia Education Inc to "B" from "B+", as they expect Nord Anglia's leverage to stay high over the next 12 months due to the company's high debt and subdued profitability. Outlook is stable. S&P lowered the corporate rating on Mongolian Mining Corp to "CCC-" from "CCC", in light of persisting tough operating conditions and mounting debt maturities as well as a distressed exchange. Outlook is negative. (Bloomberg).

New Issues: China Development Bank Corp (CDB) priced a reopening of its 2020 bond with USD1bn priced at CT4+85bps, tightening from initial guidance of CT4+100bps. CDB also priced a reopening of its 2018 bond with EUR1bn priced at MS+75, tightening from initial guidance of MS+85bps. ANZ New Zealand (International) Ltd came to market with a dual tranche deal with the USD750mn 3-year tranche pricing at CT3+115bps, tightening from an initial guidance of CT3+125bps. The remaining tranche is a USD500mn 5-year bond priced at CT5+130bps, tightening from an initial guidance of CT5+140bps. Vista Land & Lifescapes Inc., a Philippine home builder, plans to re-tap its USD 7.375%'22s at the 102 Area. (Bloomberg).

Table 1: Key Financial Indicators

	28-Jan	1W chg (bps)	1M chg (bps)		28-Jan	1W chg	1M chg
iTraxx Asiax IG	156	-1	20	Brent Crude Spot (\$/bbl)	33.10	18.72%	-12.64%
iTraxx Sovx APAC	74	-3	2	Gold Spot (\$/oz)	1,122.30	2.26%	4.69%
iTraxx Japan	90	-8	16	CRB	164.18	5.03%	-6.77%
iTraxx Australia	145	-2	19	GSCI	293.41	7.95%	-6.56%
CDX NA IG	105	-4	14	VIX	23.11	-16.24%	46.82%
CDX NA HY	99	1	-2	CT10 (bp)	1.989%	-4.22	-24.15
iTraxx Eur Main	92	-2	14	USD Swap Spread 10Y (bp)	-12	1	-6
iTraxx Eur XO	365	-12	41	USD Swap Spread 30Y (bp)	-46	1	-10
iTraxx Eur Snr Fin	88	-3	16	TED Spread (bp)	30	-6	-10
iTraxx Sovx WE	20	-2	2	US Libor-OIS Spread (bp)	33	8	10
iTraxx Sovx CEEMEA	189	-22	12	Euro Libor-OIS Spread (bp)	13	-1	3
					28-Jan	1W chg	1M chg
				AUD/USD	0.701	1.45%	-3.44%
				USD/CHF	1.014	-0.78%	-2.66%
				EUR/USD	1.091	0.13%	-0.73%
				USD/SGD	1.432	0.48%	-1.72%
Korea 5Y CDS	67	-1	11	DJIA	15,944	1.13%	-9.16%
China 5Y CDS	127	1	18	SPX	1,883	1.27%	-8.64%
Malaysia 5Y CDS	195	-16	8	MSCI Asiax	449	3.11%	-10.95%
Philippines 5Y CDS	128	2	21	HSI	19,052	0.88%	-13.08%
Indonesia 5Y CDS	241	-11	10	STI	2,546	-0.53%	-11.45%
Thailand 5Y CDS	161	0	25	KLCI	1,632	0.14%	-2.35%
				JCI	4,584	3.51%	0.58%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	USD1bn	4-year	CT4+85bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	EUR1bn	2-year	MS+75bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD750mn	3-year	CT3+115bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD500mn	5-year	CT5+130bps
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

Source: OCBC, Bloomberg

Credit Headlines:

Mapletree Commercial Trust ("MCT"): 3QFY2016 results (ending-Dec 2015) reported that revenue was up 1.2% y/y to SGD73.8mn, while NPI was up 3.5% y/y to SGD56.6mn. Most of the gains were made by the VivoCity asset, with the smaller assets (PSA building, Mapletree Anson) seeing declines. Portfolio occupancy improved from 96.6% (2QFY2016) to 98.4% (3QFY2016), driven by improvements at Mapletree Anson (now 99.3% occupied). 9MFY2016 retail and office lease reversions were healthy at 12.6% and 8.7% respectively, though we note a slowdown relative to 1HFY2016's 13.2% and 10.6% respectively. WALE remains fair with office at 2.9 years and retail at 2.0 years. Aggregate leverage was flattish q/q at 36.3% as no new assets or additional borrowings were taken. Interest coverage was unchanged as well at 5.1x. MCT's portfolio remains 100% unencumbered. It is worth noting that financing expense has increased 12.5% y/y, driven by higher floating rate financing expenses as well as due to debt being refinanced into longer tenures during 1Q2015. That said, floating rate debt remains low at 26% of total debt. MCT has no meaningful maturities in 4QFY2016 and SGD354mn for FY2017 (ending Mar 2017). Management has indicated SGD190mn in 5 year loan facility to manage short-term financing needs. MCT also has SGD60.3mn in cash. This leaves ~SGD100mn of refinancing needs, which we believe is manageable. No change to our Issuer Profile rating of Neutral. (Company, OCBC)

Nam Cheong ("NCL"): NCL has announced that they have successfully completed their consent solicitation exercise. (SGX)

Swiber Holdings ("SWIB"): SWIB has initiated a consent solicitation exercise. Some of the terms include seeking a waiver in case SWIB fails its interest coverage covenant for the period ending Dec 2015 as well as introducing a cure mechanism via an interest escrow account (this cure mechanism lapses by 1st Jan 2017). The vote will be held on 17/02/16. We do not currently cover SWIB. (SGX)

Singapore Post ("SPOST"): SPOST announced the partial divestment of associate, GD Express Carrier Bhd, for SGD78.4mn, with the consideration to be made in cash. SPOST's stake will fall from 23.3% to 11.2%, with SPOST booking ~SGD64mn in gains from the sale. Management intends to use the proceeds for more investments into its eCommerce logistics segment. We have previously downgraded SPOST's Issuer Profile to Neutral given the deterioration of its leverage ratios (due to M&A and capital needs as well as dividend payments). Though the cash proceeds will be helpful, we believe that SPOST would turn net debt in a near future at current cash utilization rates. As such, we will keep our rating unchanged. (SGX, OCBC)

International Healthway Corporation Ltd (IHC): IHC announced a consent solicitation for their 2017 and 2018 notes related to the removal of the change in shareholding provisions. We do not currently cover IHC. (SGX)

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