

Feb 29, 2016

Market Commentary: The SGD swap curve bear steepened last Friday, with the short-end rates trading 2bps-3bps lower while the yield on the long-end rates traded 1bp lower. In the broader dollar space, JACI IG corporates spread widened by 1bp to 253bps, while the yield on the JACI HY corporates decreased by 3bps to 8.28%. The 10y UST yield increased by 5bps to 1.76%.

Rating Changes: S&P downgraded Noble Group Ltd to “BB-“ from “BB+”, reflecting the uncertainty around the details of Noble’s refinancing and the company’s ability to raise capital in difficult market conditions. Outlook is negative. S&P downgraded Sime Darby Berhad to “BBB+” from “A-“ with a negative outlook, due to uncertainty and execution risks surrounding the timing and magnitude of Sime Darby’s deleveraging plan to protect its balance sheet over the next 18 months, on the backdrop of a weaker ringgit and tough operating conditions. S&P placed Standard Chartered PLC and subsidiaries on CreditWatch with negative implications, in light of a reported weak quarter and pretax loss for the year ended Dec 31. With the bank’s weakened performance, ongoing transformation, increasingly challenging macroeconomic environment, S&P sees elevated uncertainty over the bank’s ability to defend its competitive position, manage its risk exposure, and recover its profitability over the next two to three years.

Table 1: Key Financial Indicators

	<u>29-Feb</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>		<u>29-Feb</u>	<u>1W chg</u>	<u>1M chg</u>
iTraxx Asiax IG	157	0	5	Brent Crude Spot (\$/bbl)	35.15	1.33%	1.18%
iTraxx SovX APAC	76	-1	-3	Gold Spot (\$/oz)	1,222.46	1.46%	8.87%
iTraxx Japan	100	-5	18	CRB	161.67	1.28%	-3.05%
iTraxx Australia	158	5	15	GSCI	300.00	2.13%	-0.22%
CDX NA IG	110	-4	6	VIX	19.81	-3.51%	-1.93%
CDX NA HY	99	0	-1	CT10 (bp)	1.750%	-0.16	-17.07
iTraxx Eur Main	103	-5	10	USD Swap Spread 10Y (bp)	-17	-2	-5
iTraxx Eur XO	421	-5	51	USD Swap Spread 30Y (bp)	-54	-5	-7
iTraxx Eur Snr Fin	112	-4	19	TED Spread (bp)	32	0	1
iTraxx Sovx WE	33	0	11	US Libor-OIS Spread (bp)	24	1	1
iTraxx Sovx CEEMEA	189	3	-5	Euro Libor-OIS Spread (bp)	15	1	1
					<u>29-Feb</u>	<u>1W chg</u>	<u>1M chg</u>
				AUD/USD	0.713	-0.89%	0.85%
				USD/CHF	0.997	-0.26%	2.49%
				EUR/USD	1.093	-1.25%	0.60%
				USD/SGD	1.411	-0.62%	0.93%
Korea 5Y CDS	69	1	4	DJIA	16,640	1.51%	1.05%
China 5Y CDS	133	2	4	SPX	1,948	1.58%	0.40%
Malaysia 5Y CDS	177	1	-13	MSCI Asiax	460	-0.66%	-0.44%
Philippines 5Y CDS	121	0	-8	HSI	19,364	0.41%	-1.62%
Indonesia 5Y CDS	236	2	-5	STI	2,649	-0.42%	0.77%
Thailand 5Y CDS	155	-3	-7	KLCI	1,663	-0.67%	-0.26%
				JCI	4,733	0.76%	2.56%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Ratings</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
25-Feb-16	CapitaLand Mall Trust	NR/A2/NR	SGD100mn	10-year	3.50%
25-Feb-16	Mapletree Industrial Trust	NR/NR/BBB+	SGD60mn	10-year	3.79%
24-Feb-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD350mn	5-year	3mL+100bps
23-Feb-16	MUFJ	A/A1/A	USD400mn	5-year	3mL+188bps
23-Feb-16	MUFJ	A/A1/A	USD2.1bn	5-year	CT5+180bps
23-Feb-16	MUFJ	A/A1/A	USD2.5bn	10-year	CT10+215bps
23-Feb-16	BOC HK branch	A/A1/NR	USD900mn	3-year	3mL+105bps
23-Feb-16	BOC HK branch	A/A1/NR	USD600mn	3-year	CT3+107.5bps

Source: OCBC, Bloomberg

New Issues: Ausnet Services came to the market with a SGD 60.5NC5.5 bond, with an initial price guidance of mid-5%.

Credit Headlines:

Otto Marine Limited (OTML): Reported unaudited full year results for FY2015 with revenue and gross profit down 31% and 36% respectively y/y. Revenue and gross profit was down across all segments, notably in shipyard although this segment contributes only 13% and 15% to consolidated revenues and gross profit respectively. Shipping and chartering revenues and gross profit fell 21% and 36% respectively during FY2015 and this segment continues to generate the bulk of consolidated revenues. Margins for shipping and chartering compressed as a result of the lower revenues due to the reduced fleet size, reduced charter rates given weak market conditions and a higher mix of lower margin charters. Finance costs were up 40% y/y which resulted in OTML generating a net loss of USD60.6mn for FY2015, 46% higher than the net loss generated in FY2014. Debt increased due to new financing facilities for two new vessels that joined the chartering fleet in FY2015 and net gearing now stands at around 290% compared to 195% at end FY2014. We currently have a negative issuer profile rating on OTML given the challenging operating environment, particularly in the OSV sector. (Company, OCBC)

Gallant Venture ("GALV SP"): GALV SP announced FY2015 unaudited results. Revenue declined by 13% to SGD2.0bn from SGD2.3bn last year while a net loss of SGD128.5mn was reported. In FY2014, the company had a slight profit of SGD4.3mn. FY2015 saw a marked decline in the company's automotive and property development businesses. The utilities segment held steady, contributing SGD104.9mn in revenue and SGD36.7mn in operating profits while the Industrial Park and Resort Operations segments continued to be unprofitable, with loss-quantum in-line with the previous year. GALV SP is the controlling shareholder of PT Indomobil Sukses Internasional Tbk (IMAS IJ), one of the two largest integrated automotive business groups in Indonesia with a ~72% stake. Despite a 51% decline in operating profit of the automotive segment (FY2015: SGD45.9mn vs. SGD93.5mn in FY2014), both automotive and utilities made up all of the group's operating profits in FY2015, offsetting losses at the other business. In particular, the property development segment saw significantly lower land sales (SGD54,000 against SGD87.7mn in FY2014). In addition, the on-going weakness of the mining sector negatively impacted the heavy equipment business, leading to higher provisions on trade receivables and foreclosed assets (FY2015: SGD35.9m vs FY2014:SGD24.7mn). Overall, GALV SP's financial performance continued to be impacted by high interest burden taken for the IMAS IJ acquisition and losses at associated companies. Net debt to equity rose slightly to 1.1x from 1.0x as at 31 December 2014 while EBITDA / Interest declined to 1.0x (FY2014: 1.9x). The company has SGD175mn of SGD bonds due in April 2016 which will need to be refinanced. We continue to hold our Negative issue profile on GALV SP in light of its continuing operating challenges. (Company, OCBC)

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