

Jan 29, 2016

Market Commentary: The SGD swap curve bear-steepened yesterday, with the short-end rates traded 1bp-2bps higher, while the belly-to-long-end rates traded 3bps-5bps higher. 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 fell by 2bps to 1.98%, likely on the release of weak durable goods order data out of the US with demand for US manufactured goods falling 5.1% m/m in December and 3.5% for all of 2015.

New Issues: Vista Land & Lifescapes Inc., a Philippine home builder, re-tapped their USD 7.375%'22s at the 102 area. They received >USD200mn orders for a USD125mn issue. Kookmin Bank priced a 5-year USD500mn covered bond issue at MS+95bps, tighter than IPT of MS+100bps.

Credit Headlines:

Yanlord Land Group Ltd ("Yanlord"): announced an acquisition of a 75% stake in a project company in Shenzhen for a total cash consideration of RMB1.59bn. As mentioned in the compendium, we've been expecting Yanlord to replenish its landbank this year given dwindling landbank (4.77mn sqm from 5.14mn sqm in 2013). The company's last acquisition was a 171,200 sqm GFA site in Suzhou for RMB 1.35bn in 2014. No details on the location or size of the site, however the company does have a track record of being prudent with their land acquisitions, having stayed away from the land market for close to 2 years as the property market weakened but land prices remained high. The cash consideration of RMB1.59bn will be paid in 3 installments and will be fully funded by internal resources. Yanlord last reported cash of RMB12.2bn on its balance sheet and we estimate LTM net debt/ EBITDA and LTM net gearing will increase to 2.72x from 2.19x and 28% from 22%, respectively. YLLGSP 6.2% '17 has outperformed in the selloff this year, widening 72bps compared to 152bps for CENCHI 6.50% '17 and we still think valuations are compelling at 456bps over swaps for ~1.3-year risk. (Company, OCBC)

Table 1: Key Financial Indicators

	29-Jan	1W chg (bps)	1M chg (bps)		29-Jan	1W chg	1M chg
iTraxx Asiax IG	153	2	16	Brent Crude Spot (\$/bbl)	33.89	15.86%	-7.45%
iTraxx Sovx APAC	73	-2	1	Gold Spot (\$/oz)	1,114.66	1.52%	4.22%
iTraxx Japan	88	-4	13	CRB	165.22	3.82%	-5.30%
iTraxx Australia	141	-2	13	GSCI	296.26	6.55%	-4.27%
CDX NA IG	102	-2	14	VIX	22.42	-16.00%	32.58%
CDX NA HY	99	0	-2	CT10 (bp)	1.978%	-5.27	-25.20
iTraxx Eur Main	93	1	16	USD Swap Spread 10Y (bp)	-12	2	-4
iTraxx Eur XO	375	6	57	USD Swap Spread 30Y (bp)	-46	0	-9
iTraxx Eur Snr Fin	92	4	17	TED Spread (bp)	29	-5	-12
iTraxx Sovx WE	19	0	2	US Libor-OIS Spread (bp)	23	0	0
iTraxx Sovx CEEMEA	187	-13	7	Euro Libor-OIS Spread (bp)	13	0	3
					29-Jan	1W chg	1M chg
				AUD/USD	0.709	1.20%	-2.54%
				USD/CHF	1.014	0.20%	-2.50%
				EUR/USD	1.094	1.30%	-0.28%
				USD/SGD	1.427	0.18%	-1.10%
Korea 5Y CDS	66	1	9	DJIA	16,070	1.18%	-8.32%
China 5Y CDS	125	2	16	SPX	1,893	1.30%	-7.93%
Malaysia 5Y CDS	187	-11	0	MSCI Asiax	451	0.57%	-10.11%
Philippines 5Y CDS	125	2	19	HSI	19,196	3.53%	-12.74%
Indonesia 5Y CDS	236	-7	4	STI	2,562	1.17%	-11.28%
Thailand 5Y CDS	159	-1	25	KLCI	1,635	0.97%	-3.02%
				JCI	4,603	4.27%	0.73%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
29-Jan-16	Kookmin Bank	A/A1/A	USD500mn	5-year	MS+95bps
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

Source: OCBC, Bloomberg

Golden Agri-Resources Ltd ("GGR"): Crude palm oil futures hit a 20 month high this week, closing above MYR2,500/mt before retreating back to MYR2,481/mt at close yesterday afternoon. Prices are drawing support from El-Nino and seasonal related factors that are depressing production volumes. Regional supply is also expected to be constrained by lower exports from Indonesia as more palm oil is directed for domestic use. The question remains whether the higher prices are sustainable. Negative influences on prices still exist, namely lower oil prices and the high supply of competing oil seeds. Current prices are slightly above our house view of CPO prices averaging MYR2,388/mt in 1Q2016 although the longer term view is for prices to end 2016 at the MYR2,650/mt handle. For GGR, the credit overhang from weak CPO prices has subsided but we remain mindful of its stretched liquidity and whether GGR can take advantage of the stronger prices. While the issuer rating remains negative due to these concerns, we are neutral on the bonds as we believe these risks are adequately priced in, especially given the bonds have sold off in the past week (Bloomberg, OCBC).

Gallant Venture Ltd ("GALV"): The Indonesian Automotive Industry Association (Gaikindo) recently released its 2015 car sales data which showed that car sales fell 16.1% in 2015 to 1.01mn, the lowest sales volume since 2011. Slowing economic growth, high inflation and interest rates along with Rupiah depreciation and low commodity prices have impacted consumers purchasing power. Gaikindo forecasts car sales to recover in 2016 by 5% on the back of better economic conditions given car sales are correlated with economic growth. While we also expect Indonesia's GDP growth to pick up in 2016 to 5.1% from an expected run rate of 4.8% in 2015, we still view GALV's credit profile at 'Negative'. Operating challenges remain in GALV's main business segments, particularly automotive which is exposed to the weak coal mining sector. This will likely result in leverage remaining elevated for longer (OCBC).

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