

Apr 04, 2016

Market Commentary: The SGD swap curve bear-flattened last Friday, with the short-end rates trading 4bps-6bps higher, while the belly-to-long-end rates traded 2bps-3bps higher. Flows in the SGD corporate space was moderate with mixed interests in OLAMSP 7%’49s and OCBCSP 3.8%’49s while better buying was seen in GENSSP 5.125%’49s. The Itraxx Asia ex-Japan IG index opened at 144bps this morning, broadly level with Friday’s close. 10y UST yield decreased by 1bp to 1.76% post the NFP report.

Rating Changes: S&P assigned a “BB-“ long-term corporate credit rating to Tokyo Electric Power Company (TEPCO) Holdings, a new operating holding company. At the same time, S&P affirmed and withdrew the ratings on TEPCO. The outlook is positive on TEPCO holdings reflecting the potential for the company to further reduce downside credit risk with more stable profitability and refinancing. S&P revised the outlooks on the following four Hong Kong government related entities (GREs) to negative from stable and affirmed their “AAA” ratings: Airport Authority Hong Kong, Kowloon-Canton Railway Corp, MTR Corp Ltd, and Urban Renewal Authority. The outlook revision follows S&P’s revision of the outlook on the sovereign credit rating on Hong Kong (Special Administrative Region) on 31 March, 2016. At the same time, S&P also revised the outlook on 20 Chinese GREs and infrastructure entities to negative from stable. S&P also took various rating actions on some banks and nonbank financial institutions (NBFIs) in China and their related subsidiaries in China and Hong Kong after its revision of the rating outlook on China to negative from stable a day earlier.

- Agricultural Bank of China Ltd (“A-“/negative from “A-“/stable)
- Agricultural Development Bank of China (“AA-“/negative from “AA-“/stable)
- China Development Bank Corp (“AA-“/negative from “AA-“/stable)
- CDB Leasing Co Ltd (“A+“/negative from “A+“/stable)
- Export-Import Bank of China (“AA-“/negative from “AA-“/stable)
- DBS Bank (China) Ltd (“AA-“/negative from “AA-“/stable)
- Hang Seng Bank (China) Ltd (“AA-“/negative from “AA-“/stable)
- China International Capital Corp Ltd (“BBB+“/negative)
- China International Capital Corp Hong Kong Ltd (“BBB+“/negative)

Table 1: Key Financial Indicators

	4-Apr	1W chg (bps)	1M chg (bps)		4-Apr	1W chg	1M chg
iTraxx Asiax IG	144	-11	-3	Brent Crude Spot (\$/bbl)	38.22	-5.09%	-1.29%
iTraxx Sovx APAC	59	0	-9	Gold Spot (\$/oz)	1,221.39	0.37%	-2.98%
iTraxx Japan	86	-7	-2	CRB	168.03	-2.41%	-0.31%
iTraxx Australia	136	-11	-6	GSCI	316.40	-3.51%	0.55%
CDX NA IG	76	-8	-19	VIX	13.1	-11.13%	-22.30%
CDX NA HY	103	1	2	CT10 (bp)	1.762%	-12.42	-11.23
iTraxx Eur Main	74	-3	-19	USD Swap Spread 10Y (bp)	-12	0	3
iTraxx Eur XO	305	-17	-68	USD Swap Spread 30Y (bp)	-47	0	5
iTraxx Eur Snr Fin	91	-5	-8	TED Spread (bp)	41	6	10
iTraxx Sovx WE	26	-1	-6	US Libor-OIS Spread (bp)	25	1	2
iTraxx Sovx CEEMEA	148	-6	-31	Euro Libor-OIS Spread (bp)	10	2	-4
					4-Apr	1W chg	1M chg
				AUD/USD	0.766	1.73%	2.98%
				USD/CHF	0.958	1.96%	3.61%
				EUR/USD	1.140	2.14%	3.61%
				USD/SGD	1.349	1.53%	1.92%
Korea 5Y CDS	65	-3	5	DJIA	17,793	1.58%	4.62%
China 5Y CDS	121	-8	-7	SPX	2,073	1.81%	3.64%
Malaysia 5Y CDS	154	-10	-10	MSCI Asiax	501	1.20%	3.53%
Philippines 5Y CDS	106	-4	-4	HSI	20,499	-0.56%	1.60%
Indonesia 5Y CDS	200	-9	-11	STI	2,818	-1.01%	-0.65%
Thailand 5Y CDS	130	-11	-5	KLCI	1,711	0.40%	1.07%
				JCI	4,843	0.33%	-0.16%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
31-Mar-16	CapitaLand Commercial Trust	A-/A3/NR	HKD585mn	5-year	2.27%
30-Mar-16	Soilbuild REIT	NR/Baa3/NR	SGD100mn	5-year	3.6%
29-Mar-16	Ascendas REIT	NR/A3/NR	SGD130mn	5-year	2.655%
29-Mar-16	Government of Mongolia	B/B2/B	USD500mn	5-year	10.875%
24-Mar-16	Yunnan Provincial Investment Holdings	NR/NR/BBB+	USD300mn	3-year	3.375%
24-Mar-16	TMB Bank Public Co Ltd	BBB-/Baa2/BBB-	USD300mn	5.5-year	3.108%
23-Mar-16	ABN AMRO Bank	Baa3/BBB-/A-	SGD450mn	10-year	4.75%
23-Mar-16	Blue Sky Fliers Co	NR/NR/NR	USD120mn	3-year	6.90%

Source: OCBC, Bloomberg

Note: Ratings for ABN AMRO Bank reflects issue ratings

Rating Changes (cont'd): S&P placed the Hong Kong-based subsidiary China Cinda (HK) Holdings Co Ltd on CreditWatch with developing implications, revised from CreditWatch with negative implications. The parent, China-based China Cinda remain on CreditWatch with negative implications. Moody's downgraded Hengdeli Holdings Ltd's corporate family rating to "Ba3" from "Ba2", reflecting concerns over a rapid deterioration in the high-end retail watch market in China and Hong Kong. Outlook is negative. Fitch downgraded Steel Authority of India Ltd (SAIL) long-term foreign-currency issuer default rating to "BB" from "BBB-", citing a deterioration in SAIL's financial profile after a prolonged weakening in international steel prices. The outlook is negative. Fitch also downgraded its rating on both Tata Steel and its subsidiary, Tata Steel UK Holdings Ltd to "BB" from its "BB+". This is due to the negative impact of challenging market conditions in India and the UK. Outlook is stable.

Credit Headlines:

Singapore Post ("SPOST"): SPOST has announced that its Chairman of the Board of Directors, Mr Lim Ho Kee, intends to step down at the AGM in July 2016. SPOST's previous CEO just resigned not too long ago in December 2015, with SPOST still looking for a replacement. Mr Lim has been on the board of SPOST since 2003, and his announced replacement as Chairman, Professor Low Teck Seng, has been on the Board since 2010. SPOST is currently undergoing a corporate governance review, as well as a special audit. (Company, Bloomberg)

Singapore Flash URA Index: The URA released flash estimates for 1Q2016 Singapore private residential prices showing a 0.7% fall in 1Q2015 extending declines to 9.1% since prices peaked in 3Q2013. This was the 10th consecutive quarter of declines. That said, overall declines are still manageable in the context of the huge price increases seen in the recovery from the global financial crisis. The trajectory of price declines also remained shallow at a run rate of ~1% and below per quarter. Declines in the main index was driven by non-landed OCR (-0.9% q/q) and the landed segment (-1.5% q/q) while prices in the non-landed RCR region were down 0.4% q/q. Prices in the non-landed CCR region were surprisingly up by 0.4% q/q but this was possibly due to the strong performance from CapitaLand's launch of Cairnhill Nine with 174 units out of 268 units sold. There was no indication from the government that the property cooling measures will be relaxed in the 2016 budget and we think the latest set of housing data reinforces that point. (URA, The Straits Times, OCBC)

Central China Real Estate Ltd (CENCHI): CENCHI reported preliminary full-year 2015 results with revenue up 36.1% y/y to RMB12.56bn mainly due to 1) an increase in ASP to RMB5,408 per sqm (change of product mix and more sales from Zhengzhou), 2) an increase in sold area from the company's strategy of accelerated inventory clearance. However, inventory clearance also resulted in margin compression (gross margins declined to 22.2% from 33.6% in 2014) and EBITDA falling 21% y/y to RMB1.67bn. CENCHI gained CSRC approval for RMB3bn in onshore bonds in March. The company has made a positive start to the year for contracted sales after missing their 2015 sales target (RMB15.7bn vs target of RMB17.5bn). Contracted sales for February 2016 were up 70.5% y/y to RMB415mn. 2M2016 contracted sales were up 66.8% y/y to RMB779mn, mainly due to a 48.9% y/y increase in GFA sold to 132,319 sqm. Average selling prices for 2M2016 were up 12% y/y to RMB5,888 per sqm. CENCHI also gained CSRC approval for RMB3bn in onshore bonds in March. The ability to tap alternative pools of capital onshore will improve the company's liquidity profile and lower the company's average borrowing costs. Onshore borrowing costs will probably be in the range of 5-7% for a 5-year tenor compared to a 8.75% coupon from the USD300mn offshore bond done in April last year. The potential onshore issuance will also reduce currency mismatches in view of increasing expectations of further RMB depreciation but increase onshore-offshore subordination for holders of SGD and USD bonds. Unrestricted cash increased to RMB7.42bn from RMB5.02bn, comfortably covering RMB1.7bn in short term debt. Net debt/EBITDA improved from 2.13x to 2.0x while net gearing improved from 64% to 45%. EBITDA interest coverage however deteriorated to 1.8x from 2.5x. The CENCHI USD curve was up ~0.5-1pt post the results on Friday while the SGD curve was flat. The CENCHI SGD curve has tightened ~300bps since end February in the turnaround in market sentiment and the 17s (304bps) are now trading tighter than levels we started the year with (376bps). We maintain our Neutral recommendation on the issuer profile and an Overweight on the 17s. (Company, OCBC)

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