

Mar 08, 2016

Market Commentary: The SGD swap curve was relatively unchanged yesterday, with the short-end rates trading 0.5bp-1bp lower while the long-end rates traded 0.5bp higher. In the broader dollar space, JACI IG corporates spread tightened by 2bps to 241bps, while the yield on the JACI HY corporates fell by 3bps to 7.96%. 10y UST widened by 3bps to 1.91% on better market sentiment which flowed through to energy prices with WTI closing at its highest level this year following the sharp fall at the start of January.

New Issues: TD Bank priced a USD1.75bn 5-year covered bond at MS+95, widening from an initial guidance of MS+90. The expected rating is "NR/Aaa/NR". Hyundai Capital priced a USD500mn 5-year green bond at CT5+150bps, tightening from an initial guidance of CT5+165bps. The expected rating for the issue is "A-/Baa1/NR". Courts Asia Ltd priced a SGD75mn 3-year bond at 5.75%, with the net proceeds to be used for refinancing the existing SGD125mn 4.75'16s due in May. Ascendas Pte Ltd priced a SGD100mn 5-year bond at 2.965%, receiving more than SGD100mn book orders. Both the Courts Asia Ltd and Ascendas Pte Ltd issues are unrated.

Table 1: Key Financial Indicators

	8-Mar	1W chg (bps)	1M chg (bps)		8-Mar	1W chg	1M chg
iTraxx Asiax IG	147	-5	-20	Brent Crude Spot (\$/bbl)	40.84	13.54%	19.91%
iTraxx Sovx APAC	69	-4	-15	Gold Spot (\$/oz)	1,269.15	3.00%	6.72%
iTraxx Japan	89	-7	-7	CRB	171.70	5.20%	6.93%
iTraxx Australia	142	-7	-22	GSCI	324.21	6.78%	11.17%
CDX NA IG	94	-7	-27	VIX	17.35	-15.57%	-33.27%
CDX NA HY	101	1	4	CT10 (bp)	1.899%	7.38	15.04
iTraxx Eur Main	90	-5	-32	USD Swap Spread 10Y (bp)	-15	2	-8
iTraxx Eur XO	367	-21	-93	USD Swap Spread 30Y (bp)	-52	2	-10
iTraxx Eur Snr Fin	98	-5	-39	TED Spread (bp)	36	4	3
iTraxx Sovx WE	31	-2	2	US Libor-OIS Spread (bp)	23	0	-2
iTraxx Sovx CEEMEA	181	-1	-21	Euro Libor-OIS Spread (bp)	14	-1	-1
					8-Mar	1W chg	1M chg
				AUD/USD	0.746	3.93%	5.22%
				USD/CHF	0.995	0.22%	-0.82%
				EUR/USD	1.102	1.37%	-1.57%
				USD/SGD	1.380	1.48%	1.77%
Korea 5Y CDS	61	-5	-13	DJIA	17,074	3.38%	6.53%
China 5Y CDS	126	-5	-19	SPX	2,002	3.60%	8.00%
Malaysia 5Y CDS	164	-4	-33	MSCI Asiax	485	4.59%	5.99%
Philippines 5Y CDS	110	-7	-26	HSI	20,160	5.48%	4.52%
Indonesia 5Y CDS	207	-20	-47	STI	2,824	5.89%	7.64%
Thailand 5Y CDS	143	-7	-27	KLCI	1,698	2.61%	2.13%
				JCI	4,832	1.27%	0.68%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
07-Mar-16	TD Bank	Nr/Aaa?NR	USD1.75bn	5-year	MS+90
07-Mar-16	Hyundai Capital Services Inc	A-/Baa1/NR	USD500mn	5-year	CT5+150bps
07-Mar-16	Courts Asia Ltd	NR/NR/NR	SGD75mn	3-year	5.75%
07-Mar-16	Ascendas Pte Ltd	NR/NR/NR	SGD100mn	5-year	2.95%
03-Mar-16	Ford Motor Credit	BBB-/Baa2/BBB-	SGD350mn	3-year	3.70%
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD1.75bn	5-year	CT5+160bps
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD750mn	5-year	3mL+168bps
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD1.5bn	10-year	CT10+195bps

Source: OCBC, Bloomberg

Rating Changes: Fitch upgraded Commerzbank AG long-term issuer default rating to “BBB+” from “BBB”. The upgrade reflects Commerzbank’s improved profitability and capitalisation, aided by ongoing de-risking, which resulted in a steady narrowing of losses from the bank’s non-core-assets segment. Moody’s downgraded Standard Chartered Bank’s long-term deposits and senior unsecured debt ratings to “Aa3” from “Aa2”, and Standard Chartered PLC’s senior unsecured debt rating to “A1” from “Aa3”. Moody’s cited deteriorating asset quality and profitability in 2015, which is affected by Standard Chartered’s commodities and Indian exposures. This led to an increase in problem loan ratio to 4.8% at end-2015 from 2.7% at end-2014. The group also reported a net loss of \$2.2 billion for 2015. Outlook is negative. Moody’s downgraded Vedanta Resources PLC’s corporate family rating to “B2” from “Ba2”, driven by low commodity price environment that will keep earnings improvement distant, and a slower correction in leverage metrics than initially anticipated. Outlook is negative.

Credit Headlines:

Suntec REIT (“SUN”): The issuer had a SGD280mn convertible bond (issued in Feb 2013) with investors representing 98.2% of the notional exercising their put option. As such, SUN will be redeeming the bonds, and has indicated that this will be met by cash on its balance sheet. SUN had SGD445.3mn in cash as of end-2015. We estimate that the debt redemption would reduce aggregate leverage to ~34%, from 37.1% as of end-2015. Management had previously indicated that they would use part of the proceeds from the divestment of Park Mall to reduce debt. We will retain our Neutral Issuer Profile rating on SUN. (Company, OCBC)

OUE Hospitality Trust (“OUEHT”) announced a rights issue to fund the acquisition of the 243-room extension of Crowne Plaza Changi Airport from OUE Ltd (OUE). The 33-for-100 rights issue at SGD0.54 (29.45% discount to previous close of SGD0.765) will raise gross proceeds of ~SGD238.6mn of which SGD205.5mn will be used to finance the acquisition. TOP of the Crowne Plaza Changi Airport extension is expected to be obtained in the middle of 2016. We believe that the SGD205.5mn of cash proceeds from the sale by OUE in the middle of 2016 will mainly be used for deleveraging with limited capital requirements post completion of the extension and AEs for OUE Downtown and US Bank Tower this year. That said, the company has used cash for other investments recently eg. 1)SGD166mn to increase its stake in OUE Commercial Trust, 2) Hong Kong-listed Gemdale Properties and Investment Corp. Ltd (26.8% stake) as well as 3) ~SGD371.4mn of investments in a mutual fund. We maintain our Neutral issuer profile on OUE and the OUESP 3.8% '20s and Overweight on the OUESP 4.95% 17s and OUESP 4.25% 19-c16 for now and will continue to monitor the company’s use of cash. (Company, OCBC)

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