

March 15, 2017

Credit Headlines (Page 2 onwards): Industry Outlook - Singapore Property

Market Commentary: The SGD swap curve bear steepened decisively yesterday, with the short end trading higher by 3bps and the long end trading higher by up to 7bps. Flows in SGD corporates were heavy, with better buying seen in UOBSP 3.5%’29s, FCLSP 4.15%’27s, HYFSP 4.2%’19s, and mixed interests in FCLSP 4.88%’49s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 191bps while the yield on JACI HY corporates rose 2bps to 6.79%. 10y UST yields fell 3bps yesterday to 2.60%, as oil’s slide (to its lowest since November) curbed inflation expectations, even as gains were capped after the February Producer Price Index rose more than forecast.

New Issues: Azure Nova International Finance Ltd. priced a USD2bn 3-tranche deal (guaranteed by Bank of Communications Financial Leasing Ltd.); with the USD700mn 3-year piece at CT3+140bps, tightening from initial guidance of CT3+145bps; the USD1.05bn 5-year piece at CT5+150bps, tightening from initial guidance of CT5+155bps; the USD250mn 10-year piece at CT10+172.5bps, tightening at initial guidance of CT10+175bps. The expected issue ratings are ‘NR/A2/A’. Guorui Properties Ltd. priced a USD300mn 3-year bond at 7%, tightening from initial guidance of 7.375%. The expected issue ratings are ‘B-/NR/B’. Trafigra Group Pte. Ltd. priced a USD600mn NC5 Perp at 6.875%, tightening from initial guidance of 7.25%. Indonesia scheduled investor roadshow from 16 March for potential USD-denominated sukuk issuance. Shandong Yuhuang Chemical Co. scheduled investor roadshow from 15 March for potential USD bond issuance. The expected issue ratings are ‘B+/NR/B’.

Table 1: Key Financial Indicators

	15-Mar	1W chg (bps)	1M chg (bps)		15-Mar	1W chg	1M chg
iTraxx Asiax IG	94	-2	-8	Brent Crude Spot (\$/bbl)	51.55	-2.94%	-7.53%
iTraxx SovX APAC	28	0	1	Gold Spot (\$/oz)	1,200.92	-0.61%	-2.66%
iTraxx Japan	52	1	-2	CRB	182.12	-3.14%	-5.76%
iTraxx Australia	84	-1	-4	GSCI	377.21	-5.09%	-6.97%
CDX NA IG	66	3	3	VIX	12.3	7.42%	2.76%
CDX NA HY	107	-1	-1	CT10 (bp)	2.597%	3.69	10.34
iTraxx Eur Main	74	2	2	USD Swap Spread 10Y (bp)	-3	2	4
iTraxx Eur XO	290	5	0	USD Swap Spread 30Y (bp)	-38	3	3
iTraxx Eur Snr Fin	89	0	-1	TED Spread (bp)	36	0	-14
iTraxx Sovx WE	14	-3	-10	US Libor-OIS Spread (bp)	23	0	-8
iTraxx Sovx CEEMEA	65	1	0	Euro Libor-OIS Spread (bp)	2	0	0
					15-Mar	1W chg	1M chg
				AUD/USD	0.756	0.45%	-1.92%
				USD/CHF	1.009	0.54%	-0.39%
				EUR/USD	1.061	0.67%	0.10%
				USD/SGD	1.415	0.19%	0.25%
Korea 5Y CDS	46	-1	0	DJIA	20,837	-0.42%	1.09%
China 5Y CDS	87	-3	-11	SPX	2,365	-0.12%	0.69%
Malaysia 5Y CDS	110	0	-6	MSCI Asiax	570	0.78%	1.35%
Philippines 5Y CDS	84	-2	-4	HSI	23,686	-0.41%	-1.29%
Indonesia 5Y CDS	130	0	-8	STI	3,123	-0.72%	1.11%
Thailand 5Y CDS	55	-1	-10	KLCI	1,715	-0.59%	0.32%
				JCI	5,432	0.54%	0.95%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
14-Mar-17	Azure Nova International Finance Ltd.	“NR/A2/A”	USD700mn	3-year	CT3+140bps
14-Mar-17	Azure Nova International Finance Ltd	“NR/A2/A”	USD1.05bn	5-year	CT5+150bps
14-Mar-17	Azure Nova International Finance Ltd	“NR/A2/A”	USD250mn	10-year	CT10+172.5bps
14-Mar-17	Guorui Properties Ltd.	“B-/NR/B”	USD300mn	3-year	7%
14-Mar-17	Trafigra Group Pte. Ltd.	Not Rated	USD600mn	Perp NC5	6.875%
9-Mar-17	Lenovo Group Ltd.	Not Rated	USD500mn	5-year	CT5+180bps
9-Mar-17	Lenovo Group Ltd.	Not Rated	USD850mn	Perp NC5	5.375%
9-Mar-17	Top Wise Excellence Enterprise Co.	“NR/Ba3/BB”	USD300mn	3-year	6%
9-Mar-17	Asian Development Bank	“AAA/Aaa/AAA”	USD1bn	4-year	3mL+5bps
9-Mar-17	KWG Property Holding Ltd.	“B+/NR/BB-”	USD400mn	5.5NC3	6%

Source: OCBC, Bloomberg

Rating Changes: S&P assigned Shandong Yuhuang Chemical Co. Ltd. (Yuhuang) a 'B+' corporate credit rating and long-term rating to the senior unsecured notes issued by Yuhuang's wholly-owned subsidiary Rock International Investment Inc. and guaranteed by Yuhuang. The rating action reflects the company's small scale, limited geographic and product diversification, average profitability, and high financial leverage. S&P also commented that they expect the company's debt leverage to stay high over the next two years because of steep capital expenditure for its U.S. gas-to-methanol project. S&P upgraded Styron Asia Ltd.'s foreign and local issuer credit ratings, to 'BB-' from 'B+'. The rating outlook is stable.

Credit Headlines:

Industry Outlook - Singapore Property: According to SRX Property's flash estimates, private resale prices rose 0.9% m/m in February, which makes this the 4th consecutive month of increase. Last Friday, at least 3 property deals were completed, ahead of the legislative changes that closed the loophole to avoid the Additional Buyer's Stamp Duty ("ABSD") when transacting in shares of property-owning companies. The legislative change was introduced together with the relaxation of the Seller's Stamp Duty ("SSD"). However, this has not spurred transaction volumes as Straits Times understood from property agents that 'there was no buying frenzy'. As mentioned in our [Singapore Property Sector Update on 10 March 2017](#), the general property market may remain weak as the more meaningful property cooling measures ABSD and Loan-to-Value ("LTV") ratios are still in place. As at end 4Q16, there was a total supply of 50,548 (EC: 9,635) private residential units in the pipeline, of which 23,041 (EC: 3,970) units remained unsold. Of the total pipeline, about 18,307 (EC: 3,481) units are expected to be completed in 2017, with 13,785 (EC: 4,264) units to be completed in 2018. With a number of developers facing looming deadlines to sell the developments or face punitive fees in ABSD and/or Qualifying Certificate ("QC") extension charges, while resale activity appeared to have picked up, we prefer to reassess the market when the full quarter's data from the URA is out. (SRX, Straits Times, URA, OCBC)

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