

April 18, 2017

Credit Headlines: Industry Outlook – Singapore Residential Property, Swissco Holdings Ltd, First Real Estate Investment Trust

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading 2-4bps lower across all tenors. Flows in SGD corporates were moderate, with better buying seen in OUESP 3.75%'22s, better selling seen in FCLSP 4.15%'27s. In the broader dollar space, the spread on JACI IG corporates was flattish at 204bps. Likewise, the yield on JACI HY remained at 6.54%. 10y UST yields rose 1bps to 2.25% yesterday, tracking a rise in the dollar driven by fresh comments from Treasury Secretary Steven Mnuchin, who said that a strong currency is good over time. 10y UST yields fell to a low of 2.197% during Asian trading hours on the back of weaker-than-expected U.S CPI and March retail sales figures.

New Issues: Solusi Tunas Pratama Tbk PT plans to sell up to USD400mn of bonds to refinance existing debt and increase working capital.

Credit Headlines:

Industry Outlook – Singapore Residential Property: According to the URA, March private home sales surged to 1,780 units, highest since June 2013. This is not too surprising given that several launches had made headlines including Grandeur Park Residences (sold 484 units out of 720) and Park Place Residences (sold 217 units out of 429). Thus far, we think the various data suggest that the Singapore residential property segment is recovering, with increasing transactions, keener land bids from property developers (see [OCBC Asian Credit Daily – 12 April 2017](#)) and stabilising prices for the non-landed segment (see [OCBC Asian Credit Daily – 3 April 2017](#)) according to URA's flash estimates. The next data to watch would be URA's 1Q17 real estate statistics, which will paint a fuller picture of the Singapore residential property market. (Bloomberg, OCBC)

Table 1: Key Financial Indicators

	18-Apr	1W chg (bps)	1M chg (bps)		18-Apr	1W chg	1M chg
iTraxx Asiax IG	100	1	4	Brent Crude Spot (\$/bbl)	55.37	-1.09%	6.97%
iTraxx SovX APAC	24	2	3	Gold Spot (\$/oz)	1,285.29	0.82%	4.14%
iTraxx Japan	47	3	-3	CRB	187.39	0.15%	1.58%
iTraxx Australia	89	3	-1	GSCI	399.31	0.12%	4.23%
CDX NA IG	68	2	0	VIX	14.66	13.91%	29.96%
CDX NA HY	107	0	0	CT10 (bp)	2.246%	-4.99	-25.42
iTraxx Eur Main	77	0	0	USD Swap Spread 10Y (bp)	-4	0	-1
iTraxx Eur XO	295	1	-1	USD Swap Spread 30Y (bp)	-42	-2	-3
iTraxx Eur Snr Fin	94	0	2	TED Spread (bp)	36	0	-7
iTraxx Sovx WE	13	0	-1	US Libor-OIS Spread (bp)	21	0	-3
iTraxx Sovx CEEMEA	51	-1	5	Euro Libor-OIS Spread (bp)	3	1	1
					18-Apr	1W chg	1M chg
				AUD/USD	0.757	0.89%	-2.13%
				USD/CHF	1.004	0.40%	-0.50%
				EUR/USD	1.065	0.44%	-0.81%
				USD/SGD	1.397	0.45%	-0.05%
Korea 5Y CDS	60	3	13	DJIA	20,637	-0.09%	-1.33%
China 5Y CDS	88	2	2	SPX	2,349	-0.28%	-1.23%
Malaysia 5Y CDS	115	2	8	MSCI Asiax	583	0.42%	-0.10%
Philippines 5Y CDS	86	0	1	HSI	24,075	-0.79%	1.04%
Indonesia 5Y CDS	138	3	7	STI	3,148	-1.05%	-0.67%
Thailand 5Y CDS	58	2	2	KLCI	1,739	0.16%	-0.37%
				JCI	5,609	-0.63%	1.23%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Apr-17	Oxley MTN Pte Ltd.	Not Rated	USD200mn	4-year	6.375%
12-Apr-17	CCB Life Insurance Company Ltd.	"BBB/Baa3/NR"	USD500mn	60NC5	4.5%
12-Apr-17	Daiwa Securities Group, Inc.	"A-/Baa1/NR"	USD1bn	5-year	CT5+130bps
12-Apr-17	Japan Finance Organization for Municipalities	"A+/A1/NR"	USD1bn	5-year	MS+74bps
11-Apr-17	Barmenco Finance Pty Limited	"NR/B2/NR"	USD350mn	5NC2	6.625%
11-Apr-17	Korea Expressway Corporation	"AA/Aa2/NR"	USD400mn	3-year	3mL+70bps
11-Apr-17	Bank of China Limited, Dubai Branch	"NR/A1/A"	USD650mn	3-year	3mL+77bps
11-Apr-17	Bank of China Limited, Macau Branch	"NR/A1/A"	USD750mn	5-year	CT5+112.5bps
11-Apr-17	Bank of China Limited, Macau Branch	"NR/A1/A"	USD300mn	10-year	CT10+135bps

Source: OCBC, Bloomberg

Credit Headlines (cont'd):

Swissco Holdings Ltd ("SWCH"): Bloomberg has reported that based on a report to creditors dated 12/04/17, the Interim Judicial Manager ("IJM") has stated that six parties in all are in the second phase of the due diligence process for SWCH's assets as of the end of March. Pareto Securities, which was also the broker that facilitated SWCH's earlier vessel sale, had been tasked in January to market part or all of SWCH's assets. 5 indicative bids were received for its business and/or its OSV division last month. (Bloomberg)

First Real Estate Investment Trust ("FIRT"): FIRT announced its 1Q2017 financials. Gross revenue was up 2.5% to SGD27.2mn as a result of the contribution from Siloam Hospitals Labuan Bajo ("SHLB") which was acquired in December 2016. Based on our calculation of EBITDA which does not take into account of other income and other expenses, we find EBITDA 2.6% higher at SGD24.1mn. Interest expense for the quarter was lower at SGD4.3mn (1Q2016: SGD4.6mn), as perpetuals were raised as replacement capital to borrowings in 3Q2016. As a result, headline EBITDA/Interest was higher at 5.6x against 5.1x a year ago. Including 50% of perpetual distribution into the interest coverage calculation, we find EBITDA/(Interest plus 50% perpetual distribution) at 4.7x. Headline aggregate leverage was flat at 31% versus end-2016. Adjusted aggregate leverage (50% of perpetual as debt) was 33%. As at 31 March 2017, FIRT faces short term debt of SGD141.4mn against cash balance of SGD27.4mn. Secured debt made up 74% of total debt as at 31 March 2017, in line with levels seen in end-2016. We continue to view FIRT's refinancing risk as low. The REIT still has unsecured properties in the form of Sarang Hospital, Siloam Hospitals Surabaya, Siloam Sriwijaya and Siloam Hospitals Labuan Bajo which collectively have a valuation of SGD102.8mn as at 31 December 2016. These provide the financial flexibility to raise secured financing, if need be. We are reviewing FIRT's issuer profile. (Company, OCBC)

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