

Mar 26, 2018

## Market Commentary

- The SGD swap curve largely flattened last Friday, with the swap rates for the shorter tenors trading 1bps lower while the longer tenors traded 1-2bps lower, with the exception of the 20Y trading 2bps higher.
- Flows in SGD corporates were light last Friday, with better buying in HSBC 4.7%-PERP.
- In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 122bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 373bps.
- 10Y UST yield fell 1bps last Friday to 2.81%, due to fears of potential global trade war, with Trump's decision to impose USD50bn tariff on Chinese goods.

## Credit Headlines

### **Fraser and Neave Ltd ("FNN") | Issuer Profile: Neutral (4)**

- FNN increased its stake in Vinamilk from 19.5% to 19.9%, following the purchase of 6.6m shares (est ~SGD76mn).
- [While net gearing remains healthy as per 1QFY2018 results](#), which may increase to the low teens following the share purchases, this may increase further if FNN continues to acquire stakes in Vinamilk. Nevertheless, this should be capped by the gearing ceiling of 80% set by management. We continue to hold FNN at a Neutral (4) issuer Profile for now while its credit metrics remain healthy.

### **Wing Tai Properties Ltd ("WTP") | Issuer Profile: Neutral (4)**

- WTP reported full year 2017 results. Core results appear decent with profit before fair value changes and gains on divestment increasing 2.1% y/y to HKD487.8mn, supported by better performance of Landmark East, which achieved 99% occupancy and 7% upward reversion. Meanwhile, 2017 profits surged 74.2% y/y mainly due to HKD882.5mn fair value gains and HKD661.2mn divestment gains mainly due to the disposal of Winner Godown Building.
- Net gearing increased to 19.9% (1H2017: 12.5%), mainly due to the HKD11.6bn purchase of a land plot in Central, Site C of the Gage Street/Graham Street via a 65%-stake in a JV. However, we note that WTP has likely utilised off-balance sheet debt as well because contingent liabilities increased to HKD5.2bn (1H2017: HKD2.7bn). Going forward, we expect net gearing to decline below 10% due to collection of proceeds from 2 disposals, including proceeds from the sale of Winner Godown Building (disposed for HKD2.2bn) and W Square (disposed for HKD2.9bn in Feb 2018). We expect 1H2018 results to include HKD1.2bn fair value gain and HKD724mn disposal gain from disposal of W Square.
- In 2018, we expect WTP's results to be supported by the completion of 35%-owned Le Cap and Le Vetta, with 460k sq ft in GFA. Anchored by recurring cashflows from its investment properties (e.g. Landmark East), we continue to hold WTP at a Neutral (4) Issuer Profile.

## Credit Headlines (cont'd):

**ESR-REIT ("EREIT") | Issuer Profile: Neutral (4)**

**Viva Industrial Trust ("VIT") | Issuer Profile: Neutral (5)**

- EREIT and VIT are still in exclusive discussions on their proposed merger. [As discussed previously](#), we think that such a structure may have a lower asset leverage and better interest coverage than EREIT on a standalone basis.
- For now, we continue to maintain a Neutral (4) Issuer Profile for EREIT and Neutral (5) Issuer Profile for VIT.

**Table 1: Key Financial Indicators**

	26-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	81	15	14
iTraxx SovX APAC	14	2	1
iTraxx Japan	51	3	12
iTraxx Australia	72	15	12
CDX NA IG	68	14	14
CDX NA HY	106	-1	-1
iTraxx Eur Main	61	11	7
iTraxx Eur XO	292	40	26
iTraxx Eur Snr Fin	68	16	13
iTraxx Sovx WE	18	-1	-2
AUD/USD	0.773	0.14%	-1.60%
EUR/USD	1.237	0.29%	0.44%
USD/SGD	1.312	0.35%	0.28%
China 5Y CDS	68	12	13
Malaysia 5Y CDS	76	13	15
Indonesia 5Y CDS	107	18	22
Thailand 5Y CDS	48	9	7

	26-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	70.65	6.96%	4.67%
Gold Spot (\$/oz)	1,346.76	2.27%	0.98%
CRB	196.26	0.93%	-0.25%
GSCI	455.17	3.15%	0.33%
VIX	24.87	57.41%	57.41%
CT10 (bp)	2.828%	-2.74	-3.42
USD Swap Spread 10Y (bp)	3	-1	3
USD Swap Spread 30Y (bp)	-16	-1	5
TED Spread (bp)	58	14	26
US Libor-OIS Spread (bp)	58	7	23
Euro Libor-OIS Spread (bp)	2	-1	-1
DJIA	23,533	-5.67%	-8.46%
SPX	2,588	-5.95%	-6.88%
MSCI Asiax	715	-3.36%	-3.49%
HSI	30,170	-4.26%	-4.22%
STI	3,397	-2.90%	-4.47%
KLCI	1,855	0.39%	-0.26%
JCI	6,177	-1.79%	-5.77%

Source: OCBC, Bloomberg

## New issues

- Land Transport Authority of Singapore has priced a SGD300mn re-tap of its LTAZSP 3.35%'48s at 3.35%, in line with its initial price guidance.

**Table 2: Recent Asian New Issues**

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
23-Mar-18	Land Transport Authority of Singapore	SGD300mn	LTAZSP 3.35%'48	100+accrued interest
22-Mar-18	Blue Skyview Co Ltd	USD60mn	HONAIR 7.125%-Perp NC 2020	100
22-Mar-18	Jinshine International Co Ltd	USD400mn	3NP2	6.75%
22-Mar-18	Lenovo Group Ltd	USD750mn	5-year	CT5+215bps
22-Mar-18	Baidu Inc	USD500mn	10-year	CT10+160bps
22-Mar-18	Baidu Inc	USD1bn	5.5-year	CT5.5+125bps
20-Mar-18	Inter-American Development Bank	AUD200mn	IADB 3.74%'28	ASW+41bps
20-Mar-18	Nederlandse Waterschapsbank NV	AUD100mn	NEDWBK 3.45%'28	3.261%
20-Mar-18	The Republic of the Philippines	CNH1.46bn	3-year	5.0%
20-Mar-18	RH International Singapore Corp Pte Ltd	USD300mn	10-year	CT10+162.5bps

Source: OCBC, Bloomberg

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