

Jan 14, 2016

Market Commentary: The SGD swap rates bull-flattened yesterday, with the short-end rates trading 1bp-5bps lower while the belly-to-long-end-rates traded 6bps-8bps lower. In the broader Asia dollar space, JACI IG corporate spreads remained flat at 224.5bps while the yield on the JACI HY corporates fell by 2bps to 8.03%. 10y UST fell by 1.05bps to 2.09%.

New Issues: Korea Midland Power priced a USD300m 5.5-year bond at CT5+110bps, tightening from an initial guidance of CT5+125bps. Hong Kong Airlines set final guidance for its USD bond issue (~150m-200m) at 7.25%, tightening from an initial guidance of 7.5%. India Exim priced a USD500m 5.5-year bond at CT5+165bps, tightening from an initial guidance of CT5+180bps. DBS Group Holdings Ltd priced SGD250m fixed rate callable tier 2 bonds (12NC7) at 3.8%. Sumitomo Mitsui Banking Corp came to market with a dual tranche deal with the USD750m 3-year tranche pricing at CT3+95bps, tightening from initial guidance of CT3+110. The remaining tranche is a USD500m FRN priced at 3mL+94bps. Nippon Life Insurance Co. priced USD1.5bn of 30NC10 bonds at 4.7%, tightening from an initial guidance of 5.0%. Hsin Chong Construction Group Ltd provided an initial guidance on 3-year USD bond at 8.5%, and expects the issue to be priced further this week. China Nonferrous Mining Corp plans for a USD bond issue, with investors meeting scheduled on 15 Jan.

Rating Changes: S&P downgraded Tata Steel's long term credit rating to "BB-" from "BB", citing cash flows that will be under pressure over the next 12-24 months due to lower steel prices amidst competitively priced imports. Outlook is stable.

Table 1: Key Financial Indicators

	14-Jan	1W chg (bps)	1M chg (bps)		14-Jan	1W chg	1M chg
iTraxx Asiax IG	148	0	3	Brent Crude Spot (\$/bbl)	30.31	-11.45%	-20.09%
iTraxx SovX APAC	77	-2	1	Gold Spot (\$/oz)	1,094.44	-0.13%	2.62%
iTraxx Japan	80	-1	2	CRB	162.39	-4.17%	-7.13%
iTraxx Australia	142	8	11	GSCI	284.65	-4.47%	-9.32%
CDX NA IG	105	9	12	VIX	25.22	22.49%	3.40%
CDX NA HY	99	-1	-1	CT10 (bp)	2.061%	-8.43	-16.05
iTraxx Eur Main	87	4	1	USD Swap Spread 10Y (bp)	-15	-4	-5
iTraxx Eur XO	352	9	-8	USD Swap Spread 30Y (bp)	-48	-5	-11
iTraxx Eur Snr Fin	81	2	-1	TED Spread (bp)	40	-2	11
iTraxx Sovx WE	18	0	0	US Libor-OIS Spread (bp)	23	0	5
iTraxx Sovx CEEMEA	200	7	16	Euro Libor-OIS Spread (bp)	11	-1	1
					14-Jan	1W chg	1M chg
				AUD/USD	0.695	-0.73%	-3.59%
				USD/CHF	1.006	-0.35%	-2.07%
				EUR/USD	1.089	0.44%	-0.60%
				USD/SGD	1.439	-0.18%	-1.79%
Korea 5Y CDS	66	1	6	DJIA	16,151	-4.47%	-7.01%
China 5Y CDS	122	1	5	SPX	1,890	-5.02%	-6.51%
Malaysia 5Y CDS	206	4	1	MSCI Asiax	461	-1.05%	-5.62%
Philippines 5Y CDS	122	1	5	HSI	19,935	-4.99%	-6.45%
Indonesia 5Y CDS	247	-5	-9	STI	2,697	-3.84%	-4.21%
Thailand 5Y CDS	152	1	5	KLCI	1,643	-1.52%	0.77%
				JCI	4,537	-1.56%	3.73%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
14-Jan-16	Korea Midland Power Co Ltd	AA-/Aa2/AA-	USD300mn	5.5-year	CT5+110bps
14-Jan-16	Export-Import Bank of India	BBB-/Baa3/BBB-	USD500mn	5.5-year	CT5+165bps
14-Jan-16	DBS Group Holdings Ltd	NR/Aa2/AA-	SGD250mn	12NC7	3.8%
14-Jan-16	Sumitomo Mitsui Banking Corp	A/A1/A	USD750mn	3-year	CT3+95bps
14-Jan-16	Nippon Life Insurance Co.	A+/A1/A	USD1.5bn	30NC10	4.7%
13-Jan-16	Ping An Life Insurance Co of China Ltd	NR/NR/NR	USD700mn	3-year	CT3+125bps
13-Jan-16	Ping An Life Insurance Co of China Ltd	NR/NR/NR	USD500mn	5-year	CT5+150bps
13-Jan-16	Standard Chartered PLC	A-/Aa3/A+	USD1bn	5-year	CT5+158bps

Source: OCBC, Bloomberg

Credit Headlines:

Guocoland Ltd ("GUOL"): The issuer held a topping out ceremony yesterday for Tanjong Pagar Centre which is scheduled for completion in mid-2016. Management provided some updates on leasing progress at the ceremony. Pre-leasing for 100,000 sqft of retail space was healthy at 60% with Virgin Active as anchor tenant. Pre-sales at the 181-unit luxury Wallich Residence has been slow given the depressed residential market, at 9% or 16 units with prices north of SGD3,000 per sqft. The 890 sqft office component has been 10% pre-leased with on-going talks for another 40% of office space. This while pretty soft in our opinion is nonetheless commendable in light of competition from DUO and Marina One which have not disclosed leasing progress. To give some context, CapitaGreen was 20% pre-leased and South Beach was 33% pre-leased at their respective topping outs. We are Positive on Guocoland with the recent disposal of the Dongzhimen project a credit positive, freeing up SGD2.3bn in capital for potential deleveraging. We believe this could be directed to calling the SGD200mn senior unsecured GUOLSP 4.70% perp-c16 come call date in May this year as the reset at initial spread (411bps) + SDSW3 (219bps) + step-up (100bps) would see coupons increase from 4.70% to 7.30%. The perps are currently trading at YTC of 2.56%. This is compared to estimated cost of issuing 3-year straight bonds in the high 3% region. Completion of Tanjong Pagar Centre in the middle of the year is also a highly visible and near-term positive catalyst for the company. (Today, Bloomberg, OCBC)

Ezra Holdings Limited ("EZRA"): EZRA reported its 1QFY2016 results for the quarter ending November 2015. Revenue from continued operations was up 18.9% y/y, driven by its shipyard segment. Management reflected that its OSV chartering business remains weak, facing pressured charter rates and low utilization. They expect the environment to remain challenging through the rest of FY2016. As a result of the weak OSV market, coupled with realized losses from its hedging derivatives, operating loss from continued operations was USD14.0mn. In addition, the subsea division (deconsolidated due to the pending JV with Chiyoda) generated a net loss of USD36.7mn for the quarter, with management citing poorer utilization and weaker-than-expected margins for existing projects for the underperformance. That said, management continues to expect the JV to be executed during 1Q2016. On a cash flow basis, EZRA was able to generate USD12.5mn in group operating cash flow for the quarter. With capex spending of USD9.7mn for the quarter, EZRA was still able to eke out USD2.8mn in positive free cash flow. Though cash fell USD292.6mn q/q to USD132.9mn, this was driven by EZRA spending USD280.8mn in financing cash flows to call its perpetual securities, and to redeem its bonds maturing during the quarter. As of the end of 1QFY2016, it had adequate cash to redeem its SGD95mn in bonds maturing on 21/03/16. Net gearing worsened slightly from 0.77 to 0.82 q/q. We continue to believe that the Chiyoda JV would provide EZRA with additional liquidity, as well as help EZRA monetize part of its Subsea division. We continue to be Overweight the EZRASP'16s and EZRASP'18s, while keeping EZRA's issuer profile at Negative given the continued challenging environment. (Company, OCBC)

CapitaCommercial Trust ("CCT"): CCT was reported to be seeking to sell One George Street, one of its office assets in Raffles Place. The valuation for the office as of 1H2015 was SGD1.0bn, or SGD2,235 psf. It could be possible that CCT is divesting One George Street to fund its acquisition of the 60% of CapitaGreen that CCT does not already own (the stake is valued at ~SGD940mn as of 1H2015), given that CCT has an option to do so expiring end-2017. Aggregate leverage as of end-3Q2015 was 30.1%. (Bloomberg, OCBC).

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