Asian Credit Daily

OCBC Bank

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Market Commentary: The SGD swap curve traded 1-2bps lower across the curve yesterday. In the broader dollar space, JACI IG corporates tightened 2bps to 250bps, while the yield on the JACI HY corporates decreased by 4bps to 8.35%. The 10y UST yield decreased 8bps to 1.74%, falling for the first time this week amid a pause in US and European stock interest and a sell-off in oil.

New Issues: Westpac Banking Corp priced a USD1.35bn 5-year covered bond at MS+98bps (UST+89.95bps), tightening from an initial guidance of MS+100bps.

Rating Changes: Moody's revised the outlook for Dalian Wanda Commercial Properties Co Ltd ("Baa2") and Wanda Commercial Properties Hong Kong Co Ltd ("Baa3") to negative from stable. The negative outlook reflects Moody's concerns that Dalian Wanda's credit metrics will weaken in the next 12-18 months and will pressure its "Baa2" ratings.

Credit Headlines:

Hyflux Ltd ("Hyflux"): reported its unaudited results for FY2015. Despite total revenue increasing 39% to SGD445mn from the Qurayyat Independent Water Project in Oman and a containerized desalination system in Saudi Arabia, profit after tax and minority interest fell 28% to SGD41.3mn. This was largely due to a fall in divestment activities in FY2015 with other income falling 57% to SGD73mn. The ongoing construction in Oman contributed to a material change in revenue contribution by region with Singapore contribution falling from 72% in FY2014 to 38% in FY2015. Contribution from the Middle East and North Africa grew from 7% to 39% over the same period. Due to the absence of proceeds from asset sales, leverage rose with net gearing increasing from 0.5x in FY2014 to 0.9x for FY2015. Despite the challenging operating environment, Hyflux's order book has remained relatively stable at SGD2.95bn. (OCBC, Company).

Note that OCBC Credit Research does not cover Hyflux Ltd.

Table 1: Key Financial Indicators

	19-Feb	1W chg (bps)	1M chg (bps)		19-Feb	1W chg	1M chg
iTraxx Asiax IG	162	-15	8	Brent Crude Spot ($/bbl)	34.28	14.04%	20.07%
iTraxx SovX APAC	78	-4	0	Gold Spot ($/oz)	1,229.75	-0.66%	13.10%
iTraxx Japan	105	-3	20	CRB	161.89	3.51%	1.22%
iTraxx Australia	156	-16	10	GSCI	299.17	5.98%	7.17%
CDX NA IG	117	-5	7	VIX	21.64	-17.69%	-19.91%
CDX NA HY	98	1	0	CT10 (bp)	1.736%	-1.19	-31.94
iTraxx Eur Main	111	-8	15	USD Swap Spread 10Y (bp)	-14	1	1
iTraxx Eur XO	441	-22	65	USD Swap Spread 30Y (bp)	-51	1	-3
iTraxx Eur Snr Fin	117	-10	27	TED Spread (bp)	33	-1	-7
iTraxx Sovx WE	32	-2	14	US Libor-OIS Spread (bp)	24	-1	0
iTraxx Sovx CEEMEA	191	-4	-25	Euro Libor-OIS Spread (bp)	16	2	4
					19-Feb	1W chg	1M chg
				AUD/USD	0.715	0.46%	2.98%
				USD/CHF	0.993	-1.64%	1.43%
				EUR/USD	1.110	-1.36%	2.12%
				USD/SGD	1.405	-0.50%	2.07%
Korea 5Y CDS	70	-9	1	DJIA	16,413	3.13%	2.66%
China 5Y CDS	136	-8	8	SPX	1,918	3.56%	1.99%
Malaysia 5Y CDS	180	-14	-34	MSCI Asiax	461	4.42%	3.06%
Philippines 5Y CDS	124	-11	-5	HSI	19,363	4.41%	-1.39%
Indonesia 5Y CDS	241	-12	-11	STI	2,658	4.70%	0.72%
Thailand 5Y CDS	160	-6	-2	KLCI	1,680	2.19%	3.12%
				JCI	4,779	0.06%	6.39%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
19-Feb-16	Westpac Banking Corp.	AA-Aa2/NR	USD1350mn	5-year	MS+98bp
18-Feb-16	Republic of Philippines	BBB/Baa2/BBB-	USD2bn	25-year	3.7%
2-Feb-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD400mn	5-year	CT5+87.5bp
2-Feb-16	Westpac Banking Corp.	AA-Aa2/NR	CNH130mn	4-year	5.40%
1-Feb-16	HNA Group	NR/NR/NR	USD35mn	2-year	8.125%
29-Jan-16	Vista Land & Lifescapes Inc.	NR/NR/NR	USD125mn	6-year	7.375%
29-Jan-16	Kookmin Bank	A/A1/A	USD500mn	5-year	MS+95bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	USD1bn	4-year	CT4+85bps

Source: OCBC, Bloomberg

Aspial Corp. Ltd ("Aspial"): Aspial reported a weak set of results with 2015 revenue down 9% y/y to SGD464.1mn and net profit down 83% y/y to SGD9.2mn. Main driver was reduced contributions from the real estate business (46% of total revenue, revenue down 15% y/y toSGD216.4mn) due to lower contributions from current development projects and the jewelry business (28% of total revenue, revenue down 13.5% y/y to SGD131mn) with Aspial continuing to consolidate its retail network with the closure of 8 stores in 2015. Growth in pawn broking operations (25% of total revenue, revenue up 12% y/y to SGD117mn) which was driven by increase in interest income and retail and trading of pre-owned jewelry and watches offset weaknesses in the other segments slightly. The company continued to generate negative CFO (after paying interest expense) of SGD21.6mn, however this represents an improvement from –SGD189.2mn in 2014 due to reduced working capital needs for development property. Cash increased to SGD133.0mn from SGD83.6mn in 2014 mainly from the retention of part of the proceeds from the SGD150mn retail bond issue which contributed to the SGD200mn increase in gross debt to SGD1.3bn. Net gearing increased to 311% in 2015 from 279% in 2014 as a result. Looking forward, Aspial expects to progressively recognize SGD580mn from units sold in its Singapore projects and AUD1.05bn upon completion of its Australian projects Australia 108 (95% sold, completion in late 2020) and Avant (90% sold, completion in late 2018). We however, maintain our Underweight rating on the Aspial curve as the negative credit trends as highlighted in the compendium from the company's leveraged credit profile and heavy near-term financing requirements remain intact.(Company, OCBC)

Genting Singapore ("GENS"): 4Q2015 results reported revenue declining 14.2% y/y and 13.9% q/q to SGD547.4mn. This was driven mainly by the declines in gaming revenue (-18.9% y/y), as non-gaming revenue growth was flattish. Management indicated that this was in part driven by the decline in VIP gaming volumes, which management had intentionally de-emphasized on in recent quarters due to concerns over credit risk (from the leverage that GENS extends to high rollers). This has resulted in trade receivables shrinking distinctly from SGD1.1bn (end-2014) to SGD646mn (end-2015). Management believes that the current levels of leading is about right. Impairments over receivables has improved as a result of this shift, from SGD92.5mn (3Q2015) to SGD45.3mn (4Q2015). GENS also generated losses on its portfolio investments (a net loss of about ~SGD45mn for the quarter), with management indicating that GENS has disposed of substantially all its remaining portfolio investments. As such, we can expect bad debt provisions and portfolio investment losses to weigh less on GENS' performance going forward. On a theoretical normalized hold basis, GENS had an adjusted EBITDA margin of 43% for the quarter. Free cash flow generating remains strong, with about ~SGD300mn in operating cash flow generated and ~SGD16mn in capex spent. As a result, GENS added SGD1.26bn to its cash coffers for the year, ending with SGD5.1bn in cash on its balance sheet. With just SGD1.6bn in debt and a further SGD2.3bn in perpetual securities, GENS remains net cash (net of both debt and perps). Looking forward, management has guided that GENS' share of capex for its Jeju resort development would be USD250mn for 2016. We continue to be comfortable with GENS, believing that the issuer will continue to be able to generate significant amounts of free cash flow each quarter. We will retain our Positive issuer profile rating as well as keep our Overweight on its perpetual securities. (Company, OCBC)

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