

Jan 22, 2016

Market Commentary: The SGD swap curve increased by 2bps-2bps across the tenor yesterday. In the broader dollar space, JACI IG corporates spread widened by 3bps to 240bps while the yield on the JACI HY corporates increased by 13bps to 8.28%. 10y UST yield increased by 5bps to 2.03%.

New Issues: KEB Hana Bank priced a USD300mn 5-year bond at CT5+113bps, tightening from a guidance of CT5+125bps.

Credit Headlines:

Fraser's Centrepont Trust ("FCT"): 1QFY2016 results showed gross revenue flat y/y at SGD47.1mn. Portfolio occupancy dipped from 96.0% to 94.5%, driven by ~2ppt of transitional vacancy at Northpoint and Changi City Point, as well as new anchor tenant fitting out space at Bedok Point. Rental reversions were strong though at 13.7%, versus 6.3% average for FY2015. FCT was also able to reduce lease expiries for FY2016 down from 30.7% (end-FY2015) to 19.3% (end-1QFY2016) by NLA. NPI has also improved 2.0% y/y, supported by lower property expenses. Aggregate leverage remained stable at 28.3% (end-FY2015: 28.2%). Looming maturity would be Northpoint with SGD264mn in secured loans, which we believe should be refinanced given the property's strong performance. We will retain our Issuer Profile at Neutral. (Company, OCBC)

Table 1: Key Financial Indicators

| | 22-Jan | 1W chg (bps) | 1M chg (bps) | | 22-Jan | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|---------|
| iTraxx Asiac IG | 157 | -6 | 16 | Brent Crude Spot (\$/bbl) | 29.25 | -5.74% | -19.53% |
| iTraxx SovX APAC | 77 | -5 | 2 | Gold Spot (\$/oz) | 1,100.30 | 1.05% | 2.10% |
| iTraxx Japan | 98 | 14 | 23 | CRB | 159.14 | -2.00% | -7.70% |
| iTraxx Australia | 147 | -2 | 15 | GSCI | 278.04 | -2.32% | -9.12% |
| CDX NA IG | 109 | 0 | 16 | VIX | 26.69 | 5.83% | 42.73% |
| CDX NA HY | 98 | 0 | -2 | CT10 (bp) | 2.035% | -0.01 | -20.11 |
| iTraxx Eur Main | 94 | -2 | 12 | USD Swap Spread 10Y (bp) | -12 | 2 | -6 |
| iTraxx Eur XO | 378 | -7 | 43 | USD Swap Spread 30Y (bp) | -47 | 1 | -13 |
| iTraxx Eur Snr Fin | 91 | 4 | 15 | TED Spread (bp) | 34 | -4 | -10 |
| iTraxx Sovx WE | 22 | 4 | 4 | US Libor-OIS Spread (bp) | 24 | 0 | 1 |
| iTraxx Sovx CEEMEA | 211 | -8 | 33 | Euro Libor-OIS Spread (bp) | 14 | 3 | 3 |
| | | | | | | | |
| | | | | | 22-Jan | 1W chg | 1M chg |
| | | | | AUD/USD | 0.702 | 2.23% | -2.93% |
| | | | | USD/CHF | 1.008 | -0.68% | -1.69% |
| | | | | EUR/USD | 1.086 | -0.54% | -0.68% |
| | | | | USD/SGD | 1.433 | 0.47% | -1.94% |
| | | | | | | | |
| Korea 5Y CDS | 68 | -7 | 11 | DJIA | 15,883 | -1.66% | -7.94% |
| China 5Y CDS | 126 | -4 | 14 | SPX | 1,869 | -1.13% | -7.53% |
| Malaysia 5Y CDS | 211 | -11 | 19 | MSCI Asiac | 435 | -3.35% | -12.48% |
| Philippines 5Y CDS | 126 | -6 | 13 | HSI | 18,542 | -6.44% | -15.06% |
| Indonesia 5Y CDS | 252 | -13 | 12 | STI | 2,533 | -4.23% | -11.23% |
| Thailand 5Y CDS | 161 | -4 | 20 | KLCI | 1,601 | -1.99% | -2.58% |
| | | | | JCI | 4,414 | -2.19% | -2.29% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|-----------|---|-------------|----------|----------|------------|
| 22-Jan-16 | KEB Hana Bank | A/A1/A- | USD300mn | 5-year | CT5+125bps |
| 21-Jan-16 | China Nonferrous Metal Co Ltd | Nr/NR/NR | USD500mn | 3-year | CT3+145bps |
| 20-Jan-16 | Bank of Communications Ltd | A-/A2/NR | USD500mn | 3-year | CT3+115bps |
| 15-Jan-16 | Huaneng Hong Kong Capital Ltd | NR/NR/NR | USD500mn | Perp NC3 | 4.3% |
| 15-Jan-16 | Singapore Technologies Telemedia Pte Ltd | NR/NR/NR | SGD300mn | 10-year | 4.05% |
| 15-Jan-16 | Hsin Chong Construction Group Ltd | NR/NR/NR | USD150mn | 3-year | 8.5% |
| 15-Jan-16 | Hong Kong Airlines International Holdings | NR/NR/NR | USD180mn | 3-year | 7.25% |
| 14-Jan-16 | Korea Midland Power Co Ltd | AA-/Aa2/AA- | USD300mn | 5.5-year | CT5+110bps |

Source: OCBC, Bloomberg

Capitaland Mall Trust ("CMT"): 4Q2015 results showed gross revenue up 9.2% y/y at SGD180.4mn. NPI jumped 18.6% y/y to SGD125.7mn. These gains were mainly driven by the acquisition of Bedok Mall, which was completed on 01/10/15. Portfolio occupancy improved slightly from 96.8% (end-3Q2015) to 97.6% (end-4Q2015). Rental reversions for 2015 were low at 3.7%, likely pressured by softness at JCube and Clarke Quay. Though the Bedok Mall acquisition was partially funded by the divestment of Rivervale Mall as well as new units issued, aggregate leverage inched higher from 33.8% (end-3Q2015) to 35.4% (end-4Q2015). This was in line with our expectations and hence had no impact with our credit view. We will retain our Issuer Profile at Neutral. (Company, OCBC).

Keppel Corp ("KEP"): 4Q2015 results showed revenue decline 36.8% y/y to SGD2.48bn, driven by the 44.3% slump in O&M segment revenues (SGD1.32bn). Other segments saw declines as well with Property segment declining 18.3%, due to weakness in the domestic property market, and the Infrastructure segment declining 31.3% partially due to the divestment of the Merlimau Cogen. Net profit fell 44.2% to SGD405mn, driven by O&M segment net loss of SGD61mn. KEP took SGD230mn provision on their Sete Brasil contract, given the uncertainties plaguing Sete Brasil. Keppel Corp has not been paid by Sete Brasil since November 2014. Net O&M order book has declined by SGD1.0bn to 9.0bn q/q (these numbers include the Sete Brasil orders). Net income was supported by KEP's Property segment (up 41.0% y/y). The quarter saw FCF of -SGD474mn, and this was partially funded by the ~SGD450mn increase in net borrowings. This drove net gearing slightly higher, from 0.52 (end-3Q2015) to 0.53 (end-4Q2015). We are currently reviewing Keppel's Issuer Profile. (Company, OCBC)

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