

Feb 23, 2016

**Market Commentary:** The SGD swap curve traded 1-2bps higher through the short end and 3-5bps higher across the belly to long end. In the SGD corporate space, there was good 2-way in CENCHI 6.5% '17, SCISP 4.75% perp-c20 and STANLN 4.15% '21. Better buying was seen in GENSSP 5.125% perp-c17 yesterday with the 6.25% bounce in the stock probably attracting some spillover interest. In the broader dollar space, JACI IG corporates tightened 3bps to 250bps, while the yield on the JACI HY corporates was flat at 8.31%. The 10y UST yield was little changed at 1.75%.

**New Issues:** Cheung Kong Infrastructure Holdings Ltd (--/A/--) priced a USD1.2bn perpetual at 5.875%, tighter than the initial price guidance of 6%. The perpetual with a non-call period of 5 years is rated BBB by S&P. NTPC Limited (--/BBB-/BBB-) also sold a 10-year USD500mn bond at UST+255bps, tighter than the initial price guidance of UST+275bps. Funds will be used to meet high capex and negative free cash flows for capacity expansion. Ausnet Services is meeting with investors in Singapore today for a potential hybrid SGD bond issue. Temasek Financial has mandated 4 banks for a potential Euro bond issue with investor calls taking place today.

**Rating Changes:** Following the release of their annual results and after incorporating S&P's revised oil price assumptions, S&P downgraded several European oil majors given S&P's expectation that the oil majors' prospective credit metrics are likely to remain below what's expected for their prior ratings for the next 2-3 years: BP PLC was downgraded to "A-" from "A" and assigned a stable outlook; Total S.A. was downgraded to "A+" from "AA-" and assigned a negative outlook; Statoil ASA was downgraded to "A+" from "AA-" and assigned a stable outlook. Similarly, Moody's concluded a review of 12 B-rated US exploration and production companies resulting in 1 rating affirmation and 11 downgrades of 2-5 notches including Chesapeake Energy Corp whose corporate family rating was downgraded to "Caa2" from "B2" given its very weak cash flow generation capacity and high debt levels and weak liquidity. The outlook is negative.

Table 1: Key Financial Indicators

	23-Feb	1W chg (bps)	1M chg (bps)		23-Feb	1W chg	1M chg
iTraxx Asiax IG	157	-8	0	Brent Crude Spot (\$/bbl)	34.69	3.89%	7.80%
iTraxx SovX APAC	77	-2	0	Gold Spot (\$/oz)	1,209.88	0.79%	9.20%
iTraxx Japan	105	1	15	CRB	162.64	1.42%	-0.71%
iTraxx Australia	153	-5	9	GSCI	300.70	1.94%	3.62%
CDX NA IG	113	-7	7	VIX	19.38	-23.70%	-13.25%
CDX NA HY	98	1	0	CT10 (bp)	1.747%	-2.57	-30.53
iTraxx Eur Main	108	-6	15	USD Swap Spread 10Y (bp)	-15	0	-1
iTraxx Eur XO	425	-31	51	USD Swap Spread 30Y (bp)	-50	2	-4
iTraxx Eur Snr Fin	116	-6	26	TED Spread (bp)	32	-1	0
iTraxx Sovx WE	33	-1	12	US Libor-OIS Spread (bp)	22	-1	0
iTraxx Sovx CEEMEA	186	-10	-14	Euro Libor-OIS Spread (bp)	14	0	1
					23-Feb	1W chg	1M chg
				AUD/USD	0.723	1.60%	3.88%
				USD/CHF	0.999	-1.00%	1.41%
				EUR/USD	1.103	-0.99%	1.71%
				USD/SGD	1.400	0.38%	2.14%
Korea 5Y CDS	68	-2	1	DJIA	16,621	4.05%	3.28%
China 5Y CDS	131	-5	1	SPX	1,946	4.33%	2.02%
Malaysia 5Y CDS	176	-8	-30	MSCI Asiax	463	1.67%	3.25%
Philippines 5Y CDS	121	-9	-10	HSI	19,464	2.89%	2.01%
Indonesia 5Y CDS	234	-11	-23	STI	2,661	2.02%	3.24%
Thailand 5Y CDS	157	-5	-7	KLCI	1,675	1.49%	3.04%
				JCI	4,709	-0.68%	5.65%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
22-Feb-16	Cheung Kong Infrastructure Ltd	(NR/BBB/NR)	USD1.2bn	Perp NC5	5.875%
22-Feb-16	NTPC Ltd	NR/BBB-/BBB-	USD500mn	10-year	CT5+255bps
19-Feb-16	CapitaLand Mall Trust	NR/A2?NR	SGD100mn	10-year	SDSW10+87 bps
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

Source: OCBC, Bloomberg

## Credit Headlines:

**China Property** – Further China property policy easing was announced on Friday with China cutting deed taxes for first homes above 140sqm and second homes by 1-2% (first home above 140 sqm: -1.5%, second home below 90sqm: -2%, second home above 90sqm: -1%) to a total of 1-2% after adjustments (first home above 140 sqm: 1.5%, second home below 90sqm: 1%, second home above 90sqm: 2%). The business tax was also adjusted with properties above 140sqm sold after 2 years from purchase exempted from business tax. In a continuation of the government's differentiated policy, the tax cuts on second home purchases and business tax exemption will not be applicable for cities which still have HPR in place i.e. (the 4 first tier cities Beijing, Shanghai, Shenzhen and Guangzhou and Sanya on Hainan Island). The tax cuts on large (more than 140 sqm) first time home purchases will, however apply for all cities. The latest policy easing measures while small in terms of savings quantum for homebuyers, should boost sentiment with general consensus for more policy easing to follow. We continue to be positive on the sector with additional positive technical of shrinking supply from offshore redemptions (eg. Hopson) although we note valuations are not as attractive following the strong rally last year. (Source: Ministry of Finance, Reuters, OCBC)

**Ezion Holdings ("EZI"):** EZI's management provided some profit guidance for 4Q2015 as well as full year 2015. Due to the challenging and uncertain market, the group has embarked on the redeployment of some of its assets for different usages. As a result, the group will be impairing some of its assets, which would result in a net loss for 4Q2015 as well as a significant decline in 2015 total profit. The market has been extremely challenging for drilling rigs (which EZI has, including some held in JV with Swissco Holdings). In our 2016 credit outlook, we have already downgraded EZI's Issuer Profile to Negative given the challenging environment and expected further leverage deterioration. Net gearing stood at 104% as of end-3Q2015. We currently hold the EZI curve at Neutral, with the exception of the EZISP'20s (Overweight) with the committed funding facility from DBS. We will monitor the 4Q2015 results to be released on 29/02/16 closely. (Company, OCBC).

**CITIC Envirotech Ltd (CELSP):** CELSP reported its FY2015 results for the 9 months ended 31 December 2015 (FY2015). CELSP changed its financial year end from 31 March to 31 December. Revenue fell 4.5% compared to the 9 months ended 31 December 2014 (FY2014) primarily due to a fall in engineering revenue which fell 32% to SGD115mn due to China's slower economy. This mitigated a 61% increase in recurring treatment revenues to SGD107mn. Treatment revenues now comprise 39% of total revenues compared to 23% in FY2014 and continues to comfortably cover CELSP's interest expense. Given CEL's growth ambitions and the positive industry outlook, CEL has been building its financial resources and gross leverage has almost doubled compared to FY2014. Net leverage however fell as the bulk of the proceeds from debt issues in FY2015 remain in cash including the proceeds of the USD175mn in perpetual securities. (OCBC, Company).

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