

Apr 25, 2016

Market Commentary: The SGD swap curve bear flattened last Friday with the 1-3mth rates trading 8-9bps higher while the rest of the curve traded 1bp-2bps higher last Friday. Flows in the SGD corporate space were light, where we saw better buyers in FCLSP 4.25%'26s, GENSSP 5.125%'49s and ABNANV 4.75%'26s. In the broader dollar space, the spread on the JACI IG corporates was level at 226bps, while the yield on the JACI HY corporates was level at 7.52%. 10y UST yield was level at 1.89% with oil prices and equity markets losing momentum towards the latter part of the week.

New Issues: Maybank priced a USD500mn Tier 2 10.5NC5.5 bond at CT10+255bps, tightening from an initial guidance of CT10+280bps. The expected rating for the issue is "A-/A3/A-". This deal marks Malaysia's first Basel III compliant USD bond deal. JD.com Inc priced a two-part deal, with the USD500mn 5-year bond priced at CT5+190bps, tightening from an initial guidance of CT5+215bps, and the USD500mn 10-year bond priced at CT10+220bps, tightening from an initial guidance of CT10+245bps. The expected rating for the issue is "BBB-/Baa3/NR". Meanwhile, Huawei has scheduled for investor meetings for a possible USD bond issuance from today onwards.

Rating Changes: S&P placed its "BB+" long-term corporate credit rating on Mitsubishi Motors Corp on CreditWatch with negative implications following the company's announcement that fuel-consumption test data for four of its mini-vehicle models was deliberately falsified. This testing fraud is highly likely to depress unit sales, and cause damage to business performance and the company's financial profile over the next year or two according to S&P. Fitch has revised the outlook on Origin Energy Ltd's "BBB" and Woodside Petroleum Ltd's "BBB+" ratings to negative from stable. Both ratings remain exposed to weakness in LNG markets as a result of sustained low oil prices which is putting pressure on forecast credit metrics at the current rating levels.

Table 1: Key Financial Indicators

	25-Apr	1W chg (bps)	1M chg (bps)		25-Apr	1W chg	1M chg
iTraxx Asiax IG	138	0	-16	Brent Crude Spot (\$/bbl)	44.93	4.71%	11.10%
iTraxx SovX APAC	56	-2	-2	Gold Spot (\$/oz)	1,232.25	-0.44%	1.25%
iTraxx Japan	65	-12	-29	CRB	179.65	3.47%	4.34%
iTraxx Australia	128	-8	-18	GSCI	347.98	3.49%	6.12%
CDX NA IG	73	-5	-11	VIX	13.22	-2.94%	-10.31%
CDX NA HY	103	0	1	CT10 (bp)	1.888%	11.67	-1.22
iTraxx Eur Main	69	-3	-8	USD Swap Spread 10Y (bp)	-14	1	0
iTraxx Eur XO	294	-15	-27	USD Swap Spread 30Y (bp)	-47	0	1
iTraxx Eur Snr Fin	82	-5	-13	TED Spread (bp)	41	-1	7
iTraxx Sovx WE	26	-1	-1	US Libor-OIS Spread (bp)	24	-1	1
iTraxx Sovx CEEMEA	129	-4	-22	Euro Libor-OIS Spread (bp)	10	0	-1
					25-Apr	1W chg	1M chg
				AUD/USD	0.771	0.04%	2.68%
				USD/CHF	0.979	-1.35%	-0.09%
				EUR/USD	1.123	-0.65%	0.57%
				USD/SGD	1.354	0.11%	1.29%
Korea 5Y CDS	63	-1	-4	DJIA	18,004	0.59%	2.79%
China 5Y CDS	123	3	-6	SPX	2,092	0.52%	2.73%
Malaysia 5Y CDS	156	-7	-3	MSCI Asiax	512	0.16%	3.24%
Philippines 5Y CDS	99	-1	-9	HSI	21,467	0.71%	5.51%
Indonesia 5Y CDS	192	-10	-17	STI	2,940	0.56%	3.27%
Thailand 5Y CDS	124	0	-17	KLCI	1,718	-0.58%	0.83%
				JCI	4,915	1.89%	1.82%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
22-Apr-16	Maybank	A-/A3-A-	USD500mn	10.5NC5.5	CT10+255bps
22-Apr-16	JD.com	BBB-/Baa3/NR	USD500mn	5-year	CT5+190bps
22-Apr-16	JD.com	BBB-/Baa3/NR	USD500mn	10-year	CT10+215bps
21-Apr-16	Sydney Airport	BBB-/Baa2/NR	USD900mn	10-year	CT10+175bps
21-Apr-16	Hongkong Electric Co Ltd	A-/NR/NR	USD750mn	10-year	CT10+112.5bps
20-Apr-16	BOC Aviation	BBB+/NR/A-	USD750mn	10-year	CT10+215bps
20-Apr-16	Government of Malaysia	A-/A3/A-	USD1bn	10-year	CT10+135bps
20-Apr-16	Government of Malaysia	A-/A3/A-	USD500mn	30-year	CT30+145bps

Source: OCBC, Bloomberg

Credit Headlines:

Singapore Real Estate Statistics – URA released 1Q2016 real estate statistics on Friday which were generally in-line with the flash estimates released early this month. Private residential prices declined 0.7% q/q in 1Q2016 driven by the mass market OCR regions while the luxury CCR and the RCR region seemed to have stabilized somewhat. Prices in the OCR region declined 1.3% q/q while the prices in the CCR region bucked the downward trend with a 0.3% q/q increase which was probably due to the successful launch of Cairnhill 9 (193 out of 268 units sold). Prices in the RCR regions were unchanged q/q. Overall the directionality of the market has not changed and with no indication of cooling measures being lifted soon, continue to prefer a shift up the credit curve among bonds issued by Singapore property developers. (URA, OCBC)

Starhill Global REIT (“SGREIT”): 3QFY2016 results highlighted that revenue was up 12.0% y/y to SGD53.6mn while NPI was up 7.0% y/y to SGD41.6mn. Revenue was supported by the Myer Centre Adelaide acquisition done in May 2015. On a q/q basis though, some softness could be seen, with revenue declining 3.6%. Though the divestment of one of its Japanese assets contributed to the decline, we also saw declining revenue from Wisma Atria (-4.4% q/q) due to lower occupancies, as well as sharply poorer performance at its Chengdu mall (-29.6% q/q, small asset). NPI also declined 4.8% q/q due to lower revenue and higher finance expenses (due to the Myer Centre Adelaide acquisition). Portfolio occupancies have worsened distinctly q/q to 95.6% (2QFY2016: 98.0%), due to the fall in occupancy in the Australia portfolio. Part of this was intended, with lease terminations relating to the planned AEI for one of the assets. WALE remains manageable at 7.3 years (by NLA) largely due to the number of master lease arrangements that SGREIT has. Aggregate leverage was held steady q/q at 35.4% (2QFY2016: 35.7%) due to the slight decrease in gross debt, but interest coverage has worsened slightly to 4.3x (2QFY2016: 4.5x) due to weakened EBITDA. SGREIT’s debt remains 100% fixed / hedged with an average interest cost of 3.15%. Weighted average debt maturity worsened slightly q/q to 3.3 years (2QFY2016: 3.6 years) though it’s worth noting that SGREIT has no meaningful debt maturities till end June 2017. Looking forward, we believe that SGREIT’s revenue will face some pressure due to softness in Singapore and China, though the declines will be slight due to the master leases that it has. That said, with the Toshin master lease at Ngee Ann City currently under rent review (due in June 2016), and with it contributing ~20% of portfolio gross rent, any weakness in rental reversion will have an impact on SGREIT’s future performance. For now, we will reiterate SGREIT’s Neutral Issuer Profile. (Company, OCBC).

Sembcorp Industries / Sembcorp Marine (“SCI” / “SMM”): Following up on the news regarding Sete Brasil’s potential bankruptcy filing last week, SMM has made a statement that it believes its current provisions of SGD329mn for its Sete Brasil exposure to be adequate, and that it has initiated arbitration proceedings against Sete Brasil. SMM will be reporting its 1Q2016 results this Wednesday (27/04/16). (Company)

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