

Feb 26, 2016

Market Commentary: The SGD swap curve steepened slightly yesterday, with the short-end rates trading 0.5bp-1bp lower while the long-end rates traded 1bp-2bps higher. In the broader dollar space, spread on JACI IG corporates was level at 252bps, while the yield on the JACI HY corporates increased by 3bps to 8.32%. The 10y UST yield fell by 3bps to 1.72%.

New Issues: CapitaLand Mall Trust issued SGD100mn in 10-year debt at 3.50% while Mapletree Industrial Trust sold SGD60mn in 10-year notes at 3.79%.

Rating Changes: S&P upgraded Hyundai Steel Co to “BBB” from “BBB-”, as the agency expects Hyundai Steel to maintain its much improved competitive position given the completion of its major investments in the upstream and downstream steel segments. Outlook is stable. Moody’s downgraded Parkson Retail Group to “B2” from “Ba3”, as Parkson has failed to arrest the decline in revenues and profitability, which has in turn weakened Parkson’s financial profile to a level that matches its single-B rated peers. Outlook is negative. Moody’s downgraded Golden Eagle Retail Group to “Ba3” from “Ba1”. The downgrade and outlook change reflects Golden Eagle’s increase in debt leverage as it takes on property development projects from its acquisition of the Nanjing Global Era Group. Outlook is negative. Moody’s withdrew the rating for Frontier Real Estate Investment Corp. Frontier was previously awarded an issuer rating of “A2” by Moody’s. Moody’s placed the government of Papua New Guinea’s local currency and foreign currency issuer rating on review for downgrade. The review is driven by the impact of the further fall in oil prices on government revenue, fiscal deficits and rising debt; and a likely structural shift to lower economic growth given the increasingly uncertain outlook for commodity-related investments.

Table 1: Key Financial Indicators

	26-Feb	1W chg (bps)	1M chg (bps)		26-Feb	1W chg	1M chg
iTraxx Asiax IG	162	-1	7	Brent Crude Spot (\$/bbl)	35.29	2.95%	15.70%
iTraxx Sovx APAC	76	-2	2	Gold Spot (\$/oz)	1,236.22	0.77%	10.39%
iTraxx Japan	102	-3	9	CRB	162.64	0.46%	-0.03%
iTraxx Australia	160	4	15	GSCI	300.70	0.51%	4.11%
CDX NA IG	112	-6	8	VIX	19.11	-11.69%	-15.07%
CDX NA HY	98	1	-1	CT10 (bp)	1.717%	-2.75	-27.68
iTraxx Eur Main	109	-4	17	USD Swap Spread 10Y (bp)	-17	-3	-3
iTraxx Eur XO	439	-6	68	USD Swap Spread 30Y (bp)	-53	-3	-7
iTraxx Eur Snr Fin	121	0	32	TED Spread (bp)	32	-1	-2
iTraxx Sovx WE	33	0	13	US Libor-OIS Spread (bp)	24	1	1
iTraxx Sovx CEEMEA	187	-4	-10	Euro Libor-OIS Spread (bp)	15	1	1
					26-Feb	1W chg	1M chg
				AUD/USD	0.725	1.41%	3.48%
				USD/CHF	0.989	0.17%	2.84%
				EUR/USD	1.104	-0.84%	1.54%
				USD/SGD	1.400	0.41%	1.93%
Korea 5Y CDS	71	-1	4	DJIA	16,697	1.73%	3.28%
China 5Y CDS	134	-3	10	SPX	1,952	1.77%	2.53%
Malaysia 5Y CDS	180	-1	-18	MSCI Asiax	454	-1.33%	1.94%
Philippines 5Y CDS	122	-4	-4	HSI	18,889	-2.45%	0.15%
Indonesia 5Y CDS	238	-5	-7	STI	2,603	-2.04%	2.27%
Thailand 5Y CDS	158	-4	-1	KLCI	1,658	-1.30%	1.94%
				JCI	4,658	-2.52%	3.28%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
25-Feb-16	CapitaLand Mall Trust	NR/A2/NR	SGD100mn	10-year	3.50%
25-Feb-16	Mapletree Industrial Trust	NR/NR/BBB+	SGD60mn	10-year	3.79%
24-Feb-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD350mn	5-year	3mL+100bps
23-Feb-16	MUFJ	A/A1/A	USD400mn	5-year	3mL+188bps
23-Feb-16	MUFJ	A/A1/A	USD2.1bn	5-year	CT5+180bps
23-Feb-16	MUFJ	A/A1/A	USD2.5bn	10-year	CT10+215bps
23-Feb-16	BOC HK branch	A/A1/NR	USD900mn	3-year	3mL+105bps
23-Feb-16	BOC HK branch	A/A1/NR	USD600mn	3-year	CT3+107.5bps

Source: OCBC, Bloomberg

Credit Headlines:

Dyna-Mac Holdings ("DMHL"): 4Q2015 results showed revenue increasing 74.0% y/y to SGD109.4mn. The firm managed to generate 23.6% in gross margins for the quarter, better than the 18.4% generated for the whole of 2015 and comparable with 22.6% in 2014. That said, the firm's revenue can be volatile on a quarter-to-quarter basis, depending on the state of completion of their projects. For the quarter, DMHL took SGD2.3mn in provisions on bad debt, and written off a further SGD5.6mn. This drove DMHL to a slight net loss of SGD9000, compared to a net profit of SGD3.8mn in 4Q2014. For the year, DMHL showed revenue decline of 15.4% to SGD269.5mn y/y, driven mainly by the weak 2Q2015 results (revenue fell 62.5% y/y, net loss of SGD8.5mn). Due to the weakness of 2Q2015, DMHL generated a net loss of SGD5.2mn for 2015. Net order book fell sharply from SGD251mn (end-3Q2015) to SGD175mn (end-4Q2015), with management indicating that the environment remains challenging. DMHL generated ~SGD17mn of free cash flow during the quarter. The firm generated ~SGD15.3mn in EBITDA during 2015. Interest coverage was 4.5x. DMHL had SGD83.9mn in borrowings and SGD86.3mn in cash balance (it is in a net cash position). It has SGD34.1mn in current debt due in 2016. Note that OCBC credit research does not currently cover DMHL. (Company, OCBC)

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