

Apr 29, 2016

**Market Commentary:** The SGD swap curve bull-flattened yesterday tracking moves in the US treasury market post-FOMC. Short-end rates traded 2bps-4bps lower, while the belly-to-long-end rates traded 5bps-7bps lower. Flows in the SGD corporate space were light, with better buying in ABNANV 4.75%'26s, STANLN 4.4%'26s and GENSSP 5.125%'49s. In the broader dollar space, the spread on the JACI IG corporates widened by 1bp to 228bps, while the yield on the JACI HY corporates decreased by 6bps to 1.47%. 10y UST yield decreased by 3bps to 1.82%.

**New Issues:** Cambridge Industrial Trust priced a SGD50mn 7-year bond at 3.95%, tightening from an initial guidance of 4.0%. The expected rating for the issue is "NR/Baa3/NR". China Aircraft Leasing priced a USD300mn 3-year bond at 5.9%, tightening from an initial guidance of 6.0%. The issue is unrated. Huawei priced a USD2bn 10-year bond at CT10+230bps, tightening from an initial guidance of CT10+240bps. The issue is expected to be unrated.

## Credit Headlines:

Perennial Real Estate Holdings Ltd ("PREH"): PREH announced the issuance of SGD280mn in 4-year 4.55% bonds after the close of the institutional placement and public retail offers. The issue size was increased by SGD80mn from the original SGD200mn. The company received SGD312.15mn in subscriptions for the SGD280mn bond (comprising SGD110mn for the SGD100mn institutional placement and SGD202.15mn for the SGD180mn retail tranche) which was ~50% that of SGD618mn received for the first retail bond (issue size: SGD300mn) done in October last year and not surprising given that the company has tapped the market 4 times in a little over a year. Overall, investors were allocated 90% of the orders for the new 2020 bond on average. (Company, OCBC)

Table 1: Key Financial Indicators

|                    | 29-Apr | 1W chg (bps) | 1M chg (bps) |                            | 29-Apr   | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG    | 141    | 3            | -10          | Brent Crude Spot (\$/bbl)  | 47.69    | 5.72%  | 21.84% |
| iTraxx Sovx APAC   | 57     | 1            | 0            | Gold Spot (\$/oz)          | 1,265.85 | 2.66%  | 3.94%  |
| iTraxx Japan       | 71     | 6            | -21          | CRB                        | 183.16   | 1.83%  | 6.82%  |
| iTraxx Australia   | 132    | 4            | -11          | GSCI                       | 359.56   | 3.22%  | 10.90% |
| CDX NA IG          | 76     | 3            | -6           | VIX                        | 15.22    | 9.10%  | 10.13% |
| CDX NA HY          | 103    | 0            | 1            | CT10 (bp)                  | 1.824%   | -3.67  | -6.17  |
| iTraxx Eur Main    | 71     | 2            | -5           | USD Swap Spread 10Y (bp)   | -12      | 2      | 1      |
| iTraxx Eur XO      | 302    | 9            | -20          | USD Swap Spread 30Y (bp)   | -47      | 0      | 0      |
| iTraxx Eur Snr Fin | 86     | 4            | -9           | TED Spread (bp)            | 43       | 2      | 6      |
| iTraxx Sovx WE     | 26     | 0            | 0            | US Libor-OIS Spread (bp)   | 25       | 1      | 0      |
| iTraxx Sovx CEEMEA | 129    | -1           | -25          | Euro Libor-OIS Spread (bp) | 9        | -1     | -1     |
|                    |        |              |              |                            | 29-Apr   | 1W chg | 1M chg |
|                    |        |              |              | AUD/USD                    | 0.763    | -1.01% | 1.45%  |
|                    |        |              |              | USD/CHF                    | 0.966    | 1.27%  | 0.81%  |
|                    |        |              |              | EUR/USD                    | 1.136    | 1.21%  | 1.37%  |
|                    |        |              |              | USD/SGD                    | 1.344    | 0.79%  | 1.78%  |
| Korea 5Y CDS       | 66     | 3            | 0            | DJIA                       | 17,831   | -0.84% | 1.12%  |
| China 5Y CDS       | 130    | 7            | 6            | SPX                        | 2,076    | -0.75% | 1.01%  |
| Malaysia 5Y CDS    | 168    | 12           | 11           | MSCI Asiax                 | 506      | -1.13% | 2.08%  |
| Philippines 5Y CDS | 107    | 8            | 2            | HSI                        | 21,388   | -1.08% | 5.02%  |
| Indonesia 5Y CDS   | 192    | 1            | -8           | STI                        | 2,862    | -3.33% | 1.53%  |
| Thailand 5Y CDS    | 127    | 2            | -11          | KLCI                       | 1,675    | -2.71% | -2.35% |
|                    |        |              |              | JCI                        | 4,848    | -1.12% | 1.40%  |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date      | Issuer                                    | Ratings      | Size     | Tenor   | Pricing      |
|-----------|---|--------------|----------|---------|--------------|
| 28-Apr-16 | Cambridge Industrial Trust                | NR/Baa3/NR   | SGD50mn  | 7-year  | 3.95%        |
| 28-Apr-16 | China Aircraft Leasing Group Holdings Ltd | NR/NR/NR     | USD300mn | 3-year  | 5.9%         |
| 28-Apr-16 | Huawei Investment & Holding Co            | NR/NR/NR     | USD2bn   | 10-year | CT10+230bps  |
| 27-Apr-16 | Suncorp-Metway Ltd                        | A+/A1/A+     | USD500mn | 3-year  | CT3+110bps   |
| 27-Apr-16 | Fantasia Holdings Group Co Ltd            | B/B3/NR      | CNH600mn | 3-year  | 9.5%         |
| 25-Apr-16 | Bank Muscat                               | BBB-/A3/BBB+ | USD500mn | 5-year  | MS+275bps    |
| 25-Apr-16 | Sinopec Group Overseas Development Ltd    | A+/Aa3/NR    | USD1bn   | 3-year  | CT3+120bps   |
| 25-Apr-16 | Sinopec Group Overseas Development Ltd    | A+/Aa3/NR    | USD900mn | 5-year  | CT5+142.5bps |

Source: OCBC, Bloomberg

**Credit Headlines:**

CITIC Envirotech Ltd ("CELSP"): CELSP reported its 1Q2016 results for the quarter ending March 2016. Revenue jumped 62.5% y/y to SGD99.5mn. This was driven by strong growth across its business segments: engineering (+100.0%), membrane sales (+85.7%) and water treatment (+25.9%). Due to the strong revenue growth, net profits were up 39.1% y/y to SGD12.3mn. The firm generated SGD13.7mn in operating cash flow and was roughly free cash flow neutral. That said, service concession receivables drew on SGD129.8mn in cash (the counterparties to these are PRC municipal governments). These were financed via both borrowings as well as the existing cash balance. This drove net gearing higher to 29% (end-2015: 18%). Interest coverage (based on management's EBITDA) was 3.2x (end-2015: 4.3x), largely due to the increase in interest expense resulting from additional borrowings. Management continues to be upbeat about the opportunities in the China water treatment sector given supportive policies. It is worth noting that management has indicated a desire to engage large scale M&A to extend its asset portfolio. This may potentially pressure CELSP's credit profile going forward. CELSP is currently held at Neutral issuer profile. (Company, OCBC)

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