

Feb 04, 2016

**Market Commentary:** The SGD swap curve flattened yesterday, with the short-end rate increasing 3bps-7bps and the longer-end rate decreasing 2bps. In the broader dollar space, the JACI IG corporates widened by 3bps to 239bps while the yield on the JACI HY corporates widened by 1bp to 8.33%. 10y UST increased by 4bps to 1.89%. The deadline for Lippo Karawaci's USD bond exchange (LPKRIJ'19s for the new LPKR'23s) is today. However, it looks like the new 7NC4 2023 bonds will not be issued today due to market conditions, with the issuer deciding to revisit the market at a later date.

**Rating Changes:** Fitch downgraded Dalian Wanda Commercial Properties Company and Wanda Properties International Co Ltd from "BBB+" to "BBB". Outlook is stable. This was due to lower level of contracted sales in 2016 and 2017 which will not be sufficient to support its on-going capex plans and development expenditure. Moody's downgraded JSW Steel Ltd to "Ba3" from "Ba1". Outlook is negative. This is due to weaker-than-expected operating performance on lower steel prices, which is expected to continue over the next 12-18 months.

## Credit Headlines:

China Vanke Co. Ltd ("Vanke"): Vanke reported RMB26bn in contracted sales in 2016, up 12% y/y. The good start bodes well for 2016 and puts the company on track to exceeding the full-year contracted sales last year of RMB261bn. Investment appetite seems to have returned with Vanke acquiring 15 new projects in January with RMB12bn in land premium (Jan2014:7 projects for RMB6.8bn). The company has been executing its asset light strategy with more minority interests coming in to lower land acquisition costs. We continue to like VANKE 3.275% '17s (yielding 2.77%, 94bps over swaps) despite the headline noise over a shareholder dispute with Baoneng Group. (Company, OCBC)

Table 1: Key Financial Indicators

	4-Feb	1W chg (bps)	1M chg (bps)		4-Feb	1W chg	1M chg
iTraxx Asiax IG	161	8	19	Brent Crude Spot (\$/bbl)	35.49	4.72%	-4.65%
iTraxx SovX APAC	81	8	6	Gold Spot (\$/oz)	1,141.76	2.37%	6.25%
iTraxx Japan	89	2	11	CRB	164.19	0.00%	-5.90%
iTraxx Australia	150	9	20	GSCI	295.30	0.64%	-4.63%
CDX NA IG	107	5	17	VIX	21.65	-6.32%	4.59%
CDX NA HY	99	0	-2	CT10 (bp)	1.893%	-8.54	-34.98
iTraxx Eur Main	104	10	23	USD Swap Spread 10Y (bp)	-14	-2	-7
iTraxx Eur XO	399	24	65	USD Swap Spread 30Y (bp)	-49	-3	-11
iTraxx Eur Snr Fin	104	11	24	TED Spread (bp)	29	-1	-16
iTraxx Sovx WE	25	6	9	US Libor-OIS Spread (bp)	22	0	-1
iTraxx Sovx CEEMEA	198	11	11	Euro Libor-OIS Spread (bp)	14	1	3
					4-Feb	1W chg	1M chg
				AUD/USD	0.718	1.33%	-0.18%
				USD/CHF	1.005	0.87%	-0.30%
				EUR/USD	1.109	1.36%	2.38%
				USD/SGD	1.416	0.87%	0.61%
Korea 5Y CDS	68	3	8	DJIA	16,337	2.46%	-4.74%
China 5Y CDS	140	15	23	SPX	1,913	1.57%	-4.98%
Malaysia 5Y CDS	194	7	1	MSCI Asiax	448	-0.58%	-7.51%
Philippines 5Y CDS	135	10	18	HSI	19,210	0.07%	-9.93%
Indonesia 5Y CDS	246	10	1	STI	2,572	0.37%	-9.31%
Thailand 5Y CDS	164	5	19	KLCI	1,647	0.76%	-0.38%
				JCI	4,596	0.27%	1.55%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
2-Feb-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD400mn	5-year	CT5+87.5bp
2-Feb-16	Westpac Banking Corp.	AA-Aa2/NR	CNH130mn	4-year	5.40%
1-Feb-16	HNA Group	NR/NR/NR	USD35mn	2-year	8.125%
29-Jan-16	Vista Land & Lifescapes Inc.	NR/NR/NR	USD125mn	6-year	7.375%
29-Jan-16	Kookmin Bank	A/A1/A	USD500mn	5-year	MS+95bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	USD1bn	4-year	CT4+85bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	EUR1bn	2-year	MS+75bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD750mn	3-year	CT3+115bps

Source: OCBC, Bloomberg

First Sponsor Group Limited (FSG) announced its FY2015 results yesterday evening with the company stating that they have encountered 9 problematic loans (8 related to common corporate and personal guarantors) with borrowers missing interest payments due in December 2015 and January 2016. While the loan to value ratio is low (around 51-54%) and the company is yet to make provisions, we note a few concerns with this development (1) these loans according to our calculations comprise over half of its entire loan book; (2) the time to resolve these loans could be long with a court hearing scheduled for 13 Apr 2016 for one loan and discussions ongoing with borrowers of the other 8 loans; and (3) the company will need capital for its development projects in 2016 in China (Chengdu and Dongguan) and possibly the Netherlands (redevelopment in Rotterdam). Overall though, reported revenue was up 40.3% y/y and reported net profit was up 210.4% y/y to SGD215.0mn and SGD67.4mn respectively. Main drivers of growth were property development (handover of Plot B and Plot C residential blocks at the Millennium Waterfront Project) and property holding (acquisitions in the Netherlands). While the business profile has somewhat evolved in a positive way through higher geographic diversification and a larger proportion of recurring cash flows from the acquisitions in the Netherlands, the company's financial ratios have weakened, albeit it from fairly strong levels, with FSG turning from being net cash to net debt in FY2015. We calculate net debt to EBITDA at 1.31x and net gearing at 37% for FY2015. (Company, OCBC)

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Nicholas Koh Jun Ming**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2533  
[NicholasKoh@ocbc.com](mailto:NicholasKoh@ocbc.com)

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