

Mar 04, 2016

Market Commentary: The SGD swap curve shifted 4bps-6bps lower yesterday. In the broader dollar space, JACI IG corporates spread tightened by 2bps to 243bps, while the yield on the JACI HY corporates decreased by 3bps to 8.04%. 10y UST yield inched 1bp lower to 1.83%.

New Issues: Ford Motor Credit (BBB-/Baa2/BBB-) prices a SGD350mn 3-year bond at 3.7%, tightening from an initial price guidance of 3.8%. Axiata Group Berhad plans a sukuk issuance out of its multi-currency sukuk Euro MTN program. The expected rating for the issue by S&P is "BBB". BreadTalk scheduled investor meetings on 7 Mar 2016 for a possible SGD bond offering from their SGD250mn MTN program.

Rating Changes: S&P upgraded Yanlord Land Group to "BB-" from "B+", reflecting S&P's view that Yanlord will maintain its debt leverage in the coming 12 months. S&P opines that Yanlord's adequate cash balance and cash inflow from sales will provide sufficient resources for the company to expand without any significant increase in debt. Outlook is stable. Moody's downgraded Japan Petroleum Exploration Co Ltd ("JAPEX") to "Baa1" from "A2", reflecting Moody's expectation that JAPEX's profitability will deteriorate significantly as a result of sustained low oil prices. Combined with rising adjusted debt related to its large-scale investments, Moody's expect the combined effect to substantially weaken JAPEX's key credit metrics over the next 18-24 months. Outlook is negative. Moody's downgraded Inpex Corp to "A2" from "A1", reflecting Moody's expectation of lower profitability due to sustained low oil prices. The company's weakened profitability, combined with rising adjusted debt related to the company's major Ichthys project, will weaken its key credit metrics over at least the next 18-24 months. Outlook is negative.

Table 1: Key Financial Indicators

	4-Mar	1W chg (bps)	1M chg (bps)		4-Mar	1W chg	1M chg
iTraxx Asiac IG	148	-9	-10	Brent Crude Spot (\$/bbl)	37.07	5.04%	5.79%
iTraxx SovX APAC	70	-6	-10	Gold Spot (\$/oz)	1,260.55	3.03%	9.88%
iTraxx Japan	85	-15	-2	CRB	165.04	1.48%	0.52%
iTraxx Australia	142	-16	-8	GSCI	307.16	2.15%	4.02%
CDX NA IG	97	-13	-12	VIX	16.7	-12.61%	-22.86%
CDX NA HY	101	2	2	CT10 (bp)	1.832%	6.97	-0.75
iTraxx Eur Main	96	-8	-9	USD Swap Spread 10Y (bp)	-15	2	-5
iTraxx Eur XO	388	-32	-16	USD Swap Spread 30Y (bp)	-53	2	-8
iTraxx Eur Snr Fin	100	-12	-7	TED Spread (bp)	36	5	7
iTraxx Sovx WE	31	-2	5	US Libor-OIS Spread (bp)	23	-1	-1
iTraxx Sovx CEEMEA	182	-7	-12	Euro Libor-OIS Spread (bp)	15	1	1
					4-Mar	1W chg	1M chg
				AUD/USD	0.736	3.21%	1.74%
				USD/CHF	0.993	0.42%	0.88%
				EUR/USD	1.095	0.11%	-2.11%
				USD/SGD	1.389	1.37%	1.04%
Korea 5Y CDS	63	-6	-4	DJIA	16,944	1.48%	3.72%
China 5Y CDS	129	-5	-11	SPX	1,993	2.14%	4.23%
Malaysia 5Y CDS	166	-11	-19	MSCI Asiac	479	4.21%	6.90%
Philippines 5Y CDS	113	-8	-17	HSI	19,942	5.57%	3.95%
Indonesia 5Y CDS	212	-24	-31	STI	2,788	7.08%	8.96%
Thailand 5Y CDS	146	-9	-17	KLCI	1,688	1.81%	1.90%
				JCI	4,844	3.99%	3.82%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
03-Mar-16	Ford Motor Credit	BBB-/Baa2/BBB-	SGD350mn	3-year	3.70%
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD1.75bn	5-year	CT5+160bps
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD750mn	5-year	3mL+168bps
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD1.5bn	10-year	CT10+195bps
02-Mar-16	UOB Ltd	AAA/Aaa/NR	EUR500mn	5-year	0.25%
01-Mar-16	Ausnet Services	NR/Baa2/NR	SGD200mn	60.5NC5.5	5.50%
29-Feb-16	Singapore Telecommunications Limited	A+/Aa3/A+	SGD250mn	7-year	2.895%
25-Feb-16	CapitalLand Mall Trust	NR/A2/NR	SGD100mn	10-year	3.50%

Source: OCBC, Bloomberg

Credit Headlines:

Hongkong Land Holdings Ltd (“HKL”) reported FY2015 results with revenue up 3% y/y to USD1.93bn. This was underpinned by stable rental revenue from the investment property portfolio (+1% y/y to USD851.1mn) and a 5% y/y increase in residential development revenue to USD954.9mn. EBITDA however decreased 12.5% y/y to USD923.5mn due to a decline in EBITDA margins from 56.2% to 47.8%, mainly due to the residential development segment. Operating performance at HKLs’ Central office portfolio (85% of HK portfolio, 50% of total portfolio in terms of NLA) was stable with rents flat y/y at HKD101 per sq ft (2014:HKD102) and occupancies improving to 98.8% from 96.3% in 2014 on lack of new supply in Central. Central retail (7% of total portfolio) was 100% occupied with rents up to HKD221 per sq ft from HKD214 the previous year despite the challenges in the HK retail operating environment. Net gearing improved from 9.6% to 8.1% as of end-Dec 2015 on a reduction in net debt position to USD2.34bn from USD2.66bn due to debt repayments. Net debt/EBITDA was flat y/y at 2.5x. Going forward, HKL’s credit profile will remain supported by its commercial property portfolio with recurring rental EBIT of USD802.3mn sufficient to cover interest payments of USD119mn by 6.74x. SGD bonds are tightly held, but we maintain our Neutral ratings on tight valuations. (Company, OCBC)

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