

Jun 14, 2017

Credit Headlines (Page 2 onwards): Industry Outlook - Singapore Residential Property, CMA CGM S.A.

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading 2-4bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in LMRTSP 6.6%'49s, HSBC 4.7%'49s, STHSP 3.95%'49s, GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG corporates changed little at 198bps. Similarly, the yield on JACI HY corporates changed little at 6.79%. 10y UST yields closed unchanged at 2.21%, ahead of expected rate hike at Wednesday's FOMC meeting.

New Issues: Marble II Pte. Ltd priced a USD500mn 5NC2 bond at 5.3%, tightening from initial guidance of 5.75%. Rural Electrification Corp Ltd hired banks for potential USD Green bond issuance.

Rating Changes: S&P upgraded Nissan Motor Co. Ltd's (Nissan) long-term corporate credit and senior unsecured debt ratings to 'A' from 'A-'. The outlook on the long-term corporate credit rating on Nissan is stable. The rating action reflects S&P's view that Nissan's profitability has been improving and its stability has been growing as a result of improved brand recognition and product competitiveness in key markets together with cost reductions. Fitch has downgraded Singapore-based outsourced assembly and testing (OSAT) services company Global A&T Electronics Ltd's (GATE) Long-Term Foreign-Currency and Local-Currency Issuer Default Ratings (IDRs) to 'CC', from 'CCC'. The rating action reflects Fitch's view that default is now probable and possible remedies that avoid a debt restructuring have all but evaporated.

Table 1: Key Financial Indicators

	14-Jun	1W chg (bps)	1M chg (bps)		14-Jun	1W chg	1M chg
iTraxx Asiax IG	83	-3	-6	Brent Crude Spot (\$/bbl)	48.30	0.50%	-5.00%
iTraxx SovX APAC	17	-1	-3	Gold Spot (\$/oz)	1,268.42	-1.46%	3.05%
iTraxx Japan	41	-1	-2	CRB	175.83	-1.26%	-3.22%
iTraxx Australia	83	-3	2	GSCI	369.88	-1.25%	-2.53%
CDX NA IG	59	-2	-3	VIX	10.42	-0.29%	0.19%
CDX NA HY	108	0	0	CT10 (bp)	2.202%	2.93	-12.35
iTraxx Eur Main	57	-4	-5	USD Swap Spread 10Y (bp)	-3	2	6
iTraxx Eur XO	236	-12	-17	USD Swap Spread 30Y (bp)	-40	3	8
iTraxx Eur Snr Fin	62	-7	-5	TED Spread (bp)	26	1	-6
iTraxx Sovx WE	7	-2	-2	US Libor-OIS Spread (bp)	9	0	-6
iTraxx Sovx CEEMEA	48	1	0	Euro Libor-OIS Spread (bp)	3	0	0
					14-Jun	1W chg	1M chg
				AUD/USD	0.754	-0.17%	1.66%
				USD/CHF	0.968	-0.32%	2.92%
				EUR/USD	1.122	-0.36%	2.21%
				USD/SGD	1.381	0.08%	1.21%
Korea 5Y CDS	52	-2	-6	DJIA	21,328	0.91%	2.07%
China 5Y CDS	67	-6	-12	SPX	2,440	0.45%	2.07%
Malaysia 5Y CDS	85	-8	-18	MSCI Asiax	625	-0.32%	2.73%
Philippines 5Y CDS	74	-4	-4	HSI	25,876	-0.38%	2.86%
Indonesia 5Y CDS	113	-7	-16	STI	3,260	0.91%	0.14%
Thailand 5Y CDS	56	-2	0	KLCI	1,790	-0.05%	0.80%
				JCI	5,708	0.00%	0.57%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Jun-17	Marble II Pte. Ltd.	Not Rated	USD500mn	5NC2	5.3%
12-Jun-17	Lippo Malls Indonesia Retail Trust	Not Rated	SGD120mn	Perp NC5.5	6.6%
12-Jun-17	Korea East-West Power Co. Ltd	"NR/Aa2/AA-"	USD500mn	5-year	CT5+102.5bps
12-Jun-17	Shui On Development (Holding) Ltd.	Not Rated	USD600mn	Perp NC5	6.4%
12-Jun-17	PT Japfa Comfeed Indonesia Tbk (re-tap)	"BB-/NR/BB-"	USD100mn	JPFAIJ 5.5%'22s	100.25
8-Jun-17	GLL IHT Pte. Ltd.	Not Rated	SGD170mn	5-year	3.85%
8-Jun-17	AMTD Group Company Ltd	Not Rated	USD200mn	Perp NC3	7.625%
8-Jun-17	FWD Group Ltd.	Not Rated	USD500mn	Perp NC5	6.625%
7-Jun-17	Starhub Ltd	Not Rated	SGD200mn	Perp NC5	3.95%

Source: OCBC, Bloomberg

Credit Headlines:

Industry Outlook - Singapore Residential Property: According to SRX flash estimates, Singapore non-landed private homes prices rose 0.4% m/m in May (1.5% higher y/y). The number of transactions also shot up 17.4% m/m (57.7% higher y/y). Along with the better performance in the secondary market, developers under our coverage have been selling more properties according to the URA caveat. Hotel Properties moved 6 units between Apr to May 2017 with a combined value of SGD52.2mn at Tomlinson Heights. Wing Tai Holdings also moved 34 units YTD at The Crest. In addition to the headline grabbing sales at the launch of Grandeur Park, Chip Eng Seng has moved 36 more units this year at the 128 units Fulcrum. However, Hong Fok only appeared to have moved only 3 units at Concourse Skyline. Overall, we think that the rise in property transactions and prices are favourable for property developers. (Straits Times, SRX, OCBC)

CMA CGM S.A. (acquired Neptune Orient Lines, “NOL”): CMA CGM announced that it had entered into a binding agreement with Maersk Line to acquire Mercosul Line, one of the leading players in Brazil’s container shipping market. The transaction is subject to Brazilian regulatory approval, as well as the closing of Maersk’s acquisition of Hamburg Sud. The integration of Mercosul Line is expected to start in 4Q2017. The financial terms of the transaction was not disclosed. That said, Mercosul Line has a fleet of four ships, and generated USD128mn in sales in 2016. This is small relative to CMA CGM’s USD18.5bn in annual revenue (based on annualized 1Q2017 figures). As such, it is unlikely that the acquisition would have a material impact on CMA CGM’s financials. We will continue to hold CMA CGM’s Issuer Profile at Neutral. (Company, OCBC)

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