

Apr 17, 2018

Market Commentary

- The SGD swap curve rose with swap rates trading 1-2bps higher across most tenors.
- Flows in SGD corporates were moderate yesterday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 127 bps while the Bloomberg Barclays Asia USD HY Bond Index average widened 2bps to 346bps.
- 10Y USTs traded little changed at 2.83%.

Credit Headlines

Wing Tai Holdings Ltd (“WTH”) | Issuer Profile: Neutral (4)

- Together with Abacus Property Group, WTH acquired 464 St Kilda Road for AUD95.38mn (SGD97.2mn), which is an office building.
- This is not material to WTH's profile given that its total assets are far larger at SGD4.3bn. We continue to hold WTH at a Neutral (4) Issuer Profile. (Company, OCBC)

Soilbuild Business Space REIT (“SBREIT”) | Issuer Profile: Neutral (4)

- SBREIT reported its first quarter results for the financial year 2018 (“1Q2018”). Reported gross revenue was down 11.5% y/y to SGD19.4mn. This was driven by revenue declines at 72 Loyang Way, West Park BizCentral, Eightrium and KTL Offshore building. 72 Loyang Way was affected by the absence of security deposits (used up by mid-2017), which held up 1Q2017 revenue. West Park BizCentral and Eightrium both saw reduction in occupancies while only two months of revenue was recognised at KTL Offshore building as the property was subsequently sold to Sponsor (divestment completed on 28 February 2018).
- Based on our EBITDA calculation (excludes gain on divestment from the KTL Offshore building and other expenses), we find EBITDA to have fallen 11.7% y/y to SGD15.5mn. Interest expense was down 3.8% y/y to SGD3.8mn, driven by interest savings from refinancing of a bank loan. Despite the reduction in EBITDA, interest coverage as measured by EBITDA/Interest was still healthy at 4.1x (1Q2017: 4.5x).
- On the back of rental arrears, during the quarter, SBREIT had also taken possession of 39 Senoko Way (ie: Tellus Marine building) which is a small contributor to gross revenue at 1.9% in FY2017.
- Removing the contribution from KTL Offshore building (since sold) and 39 Senoko Way, we find adjusted EBITDA/Interest at 3.9x, still manageable versus its immediate peers.
- Reported aggregate leverage was 40.2% as at 31 March 2018, in line with end-2017 figures though this is expected to fall to 37% following the repayment of the SGD bond SBREIT'18s with an outstanding amount of SGD93.5mn in May 2018. We see low refinancing risk for this bond. The bond is expected to be repaid by the ~SGD54.7mn net proceeds from the sale of KTL Offshore building, committed debt facility of SGD15.0mn and some additional new debt.
- While we expect 2Q2018 income to be dragged by the decline in operating performance at West Park BizCentral and Eightrium, this is insufficient to move SBREIT's issuer profile in our view. As such, we maintain SBREIT's issuer profile at Neutral (4). (Company, OCBC)

Table 1: Key Financial Indicators

	17-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	75	-2	8
iTraxx SovX APAC	13	0	1
iTraxx Japan	50	-1	8
iTraxx Australia	65	-5	8
CDX NA IG	59	-6	6
CDX NA HY	107	1	0
iTraxx Eur Main	54	-4	4
iTraxx Eur XO	271	-14	19
iTraxx Eur Snr Fin	57	-5	5
iTraxx Sovx WE	18	0	-2
AUD/USD	0.776	0.00%	0.56%
EUR/USD	1.238	0.19%	0.36%
USD/SGD	1.310	-0.09%	0.50%
China 5Y CDS	59	-3	3
Malaysia 5Y CDS	72	0	9
Indonesia 5Y CDS	97	-3	7
Thailand 5Y CDS	44	-1	5

	17-Apr	1W chg	1M chg
Brent Crude Spot (\$/bbl)	71.70	0.93%	8.29%
Gold Spot (\$/oz)	1,345.49	0.44%	2.17%
CRB	199.55	2.35%	2.62%
GSCI	464.51	0.73%	4.47%
VIX	16.56	-23.93%	4.81%
CT10 (bp)	2.832%	3.13	-1.23
USD Swap Spread 10Y (bp)	3	0	0
USD Swap Spread 30Y (bp)	-13	1	1
TED Spread (bp)	60	-3	17
US Libor-OIS Spread (bp)	58	-1	7
Euro Libor-OIS Spread (bp)	3	0	0
DJIA	24,573	2.48%	-1.50%
SPX	2,678	2.48%	-2.70%
MSCI Asiax	718	-1.02%	-3.77%
HSI	30,323	-1.32%	-3.74%
STI	3,508	1.20%	-0.12%
KLCI	1,885	1.28%	2.08%
JCI	6,301	-0.38%	-0.06%

Source: OCBC, Bloomberg

New issues

- United Overseas Bank Ltd has priced a USD1.2bn deal across two tranches, with the USD700mn 3-year FxD at CT3+72bps, tightening from its initial price guidance of CT3+85-90bps area and the USD500mn 3-year FRN priced at 3mL+48bps, in line with its initial price guidance.
- Sunac China Holdings Ltd has priced a USD1.1bn deal across two tranches with the USD650mn 3.25NC2.25 note at 7.35%, tightening from its initial price guidance of 7.5% and the USD450mn 5NC3 note at 8.35%, tightening from its initial price guidance of 8.5%.
- Commonwealth Bank of Australia has priced a EUR1bn 5-year covered bond (guaranteed by Perpetual Corporate Trustee Ltd in its capacity of the CBA Covered Bond Trust) at MS+5bps, tightening from its initial price guidance of MS+7bps area.
- Hanwha Life Insurance Co Ltd has priced a USD1bn 30NC5 bond at 4.7%, tightening from its initial price guidance of 5% area.
- Central China Real Estate Ltd has priced a USD300mn 2.5-year notes at 7%, tightening from its initial price guidance of 7.25%.
- Jingrui Holdings Ltd has priced a USD350mn 3-year bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 9.45%, tightening from its initial price guidance of 9.5%.
- Yanlord Land HK Co Ltd has priced a USD300mn 5NC3 bond (guaranteed by Yanlord Land Group Ltd) at 6.75%, tightening from its initial price guidance of 7%.
- The Export-Import Bank of Korea has scheduled for investor meetings from 23-26 Apr for its potential USD bond issuance.
- Samsonite Finco Sarl has scheduled for investor meetings from 16-18 Apr for its potential EUR300mn 8NC3 bond issuance.
- PT Alam Sutera Realty Tbk has scheduled for investor meetings from 17 Apr for its potential USD bond issuance.
- Easy Tactic Ltd (Guangzhou R&F Properties Co., Ltd acting as guarantor and provider of benefit of a Keepwell Deed and Equity Interest Purchase Undertaking) has scheduled for investor meetings on 16 Apr for its potential USD bond issuance.
- Vertex Capital Investment Ltd (Guarantor: Guangzhou Industrial Investment Fund Management Co., Ltd.) has scheduled for investor meetings from 17 Apr for its potential USD bond issuance.
- Yuexiu REIT MTN Company Ltd has scheduled for investor meetings from 17 Apr for its potential USD bond issuance (guaranteed by Yuexiu Real Estate Investment Trust).
- Meiji Yasuda Life Insurance Co Ltd has scheduled for investor meetings on 16 Apr for its potential USD bond issuance.
- Sydney Airport Finance Company Pty Ltd has scheduled for investor meetings on 16 Apr for its potential EUR 500mn 10-year bond.
- Indonesia seeks to raise around USD4bn from samurai and euro bonds.

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
16-Apr-18	Yanlord Land HK Co Ltd	USD300mn	5NC3	6.75%
16-Apr-18	Jingrui Holdings Ltd	USD350mn	3-year	9.45%
16-Apr-18	Central China Real Estate Ltd	USD300mn	2.5-year	7%
16-Apr-18	Hanwha Life Insurance Co Ltd	USD1bn	30NC5	4.7%
16-Apr-18	Commonwealth Bank of Australia	EUR1bn	5-year	MS+5bps
16-Apr-18	Sunac China Holdings Ltd	USD450mn	5NC3	8.35%
16-Apr-18	Sunac China Holdings Ltd	USD650mn	3.25NC2.25	7.35%
16-Apr-18	United Overseas Bank Ltd	USD500mn	3-year	3mL+48bps
16-Apr-18	United Overseas Bank Ltd	USD700mn	3-year	CT3+72bps
13-Apr-18	SMRT Capital Pte Ltd	SGD100mn	10-year	3.22%
13-Apr-18	Ezion Holdings Ltd	SGD30.5mn	9-year	0.25%
13-Apr-18	Ezion Holdings Ltd	SGD92mn	6-year	0.25%
11-Apr-18	Industrial & Commercial Bank of China Ltd/ Dubai DIFC	USD100mn	3-year	3.09%
11-Apr-18	Oversea-Chinese Banking Corp Ltd	EUR500mn	7-year	MS+9bps

Source: OCBC, Bloomberg

Andrew Wong

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

Nick Wong Liang Mian, CFA

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

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "**Relevant Materials**") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "**Relevant Entity**") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID**") and the EU's Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (together referred to as "**MiFID II**"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).