

Monthly Credit View

Tuesday, 02 February 2016

Monthly Themes

- We have had a tentative start to 2016 so far with concerns over China re-emerging at the start of the month, specifically over stock market and currency volatility. Near the month end, BOJ surprised markets by slashing rates to negative territory for new bank reserves which could spark a renewed wave of easing across Asia's central banks. Against this backdrop, the Asia dollar credit markets sold off with the broad JACI index widening 23bps. IG outperformed, widening 13bps while HY widened 84bps. That said, Asia credit outperformed other EM regions due to its relative safe haven status with CEMBI broad widening 49bps. In terms of sectors, oil and commodity related names were unsurprisingly pressured by continued weakness in oil prices while in China property, key man risk re-emerged with the news that Future Land's chairman was under investigation by the Commission on Discipline Inspection of Wujin of Changzhou.
- The SGD space sold off in tandem with the USD space with sentiment only improving slightly late in the month on signs of further accommodative central bank policy. We started to see life in the secondary markets towards the end of the month with buyers selectively returning to the market to bottom fish for under-priced and better quality names. Consent solicitations continued in the offshore marine space with Nam Cheong, AusGroup and Swiber adding to a lengthening list of issuers seeking covenant relief. Finally, Pacific Andes Resource Development looks to be the second SGD corporate bond in recent history to default, with management indicating that they will not be able to commit to paying the coupons due on 30/01/16 in order to preserve liquidity.
- 2016 is already starting to look like a carbon copy of 2015, with bouts of China-sparked volatility as well as surprise central bank actions peppered with headline driven idiosyncratic moves in individual bonds. Primary markets on both the USD and SGD front have been muted, but we expect supply to pick up after CNY due to the existing pipeline. High grade issuance would likely dominate, with high yield issuance soft. In terms of credit selection, we continue to advocate being defensive and moving up the credit curve.

Issuer Profile Changes

- Given the recent sell-off in both KEP's and SCI's curves on news of the potential bankruptcy of Sete Brasil, we have reviewed and tweaked our bond recommendations on both issuers. We have also recently affirmed our Neutral Issuer Profile rating on KEP¹.

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¹ OCBC Asia Credit - Keppel Corp - Credit Update - 290116

Trade Ideas

- While we maintain a 'Negative' issuer profile on Golden Agri-Resources Ltd, we note that crude palm oil futures hit 20 month highs last week, closing above MYR2,500/mt before retreating to MYR2,443/mt to close the month. We expect CPO prices to continue to rally this year due to lower supply and think pressure on the credit profile has subsided. That said, we think current negative pressures are adequately priced in and are beginning to see value in the GGRSP'17 (516bps over swaps) over the GGRSP'18 (461bps over swaps).
- We have moved the SPOST'20s to Underweight as the bond did not sell-off with the broader market and currently looks rich. With SPOST potentially being downgraded by S&P to A- in the near future, possible switch trades include moving to FCTSP'20s (rated BBB+) and SUNTEC'20s (rated Baa2), with the increase in spreads more than adequate to compensate the differences in rating in our view. Furthermore, though leverage is higher at the REITs, aggregate leverage is currently capped at 45%, which would help mitigate any deterioration in credit profile.
- We find the longer dated part of the KEP curve to be interesting as it has sold off harder compared to the shorter dated part of the curve. We have also moved the SCISP 4.75 '49s to Overweight on valuation.
- We upgraded HENLND 3.865% '16 to Overweight from Neutral. The HENLND 3.865% '16 offers the highest spreads (91bps) among high grade paper outside the China property and offshore marine space and flat relatively to HENLND 4% '18 (92bps).

Issuer	Issuer Profile	Issue	Maturity	Ask Price	Ask YTW	Ratings	Recommendation	
							Current	Previous

China/HK property

Central China Real Estate	N	CENCHI 10.75 '16	18/04/2016	101.20	4.78	BB-/Ba3/NR	N	N
Central China Real Estate	N	CENCHI 6.5 '17	26/05/2017	99.25	7.10	BB-/Ba3/NR	OW	OW
CK Hutchison Holdings Ltd	N	CHEUNG 2.585 '16	20/07/2016	100.25	2.03	A-/A3/A-	N	N
CK Hutchison Holdings Ltd	N	CHEUNG 3.408 '18	20/07/2018	102.00	2.56	A-/A3/A-	N	N
China Vanke Co Ltd	Pos	VANKE 3.275 '17	06/11/2017	100.85	2.77	NR/NR/NR	OW	OW
Henderson Land Development	Pos	HENLND 3.865 '16	11/11/2016	101.00	2.57	NR/NR/NR	OW	N
Henderson Land Development	Pos	HENLND 4 '18	19/09/2018	103.00	2.81	NR/NR/NR	N	N
Hongkong Land Holdings	Pos	HKLSP 3.86 '17	29/12/2017	103.65	1.90	A/A2/NR	N	N
Hongkong Land Holdings	Pos	HKLSP 3.43 '20	14/05/2020	102.25	2.87	A/A2/NR	N	N
Wharf Holdings Ltd/The	N	WHARF 2.995 '16	20/07/2016	100.35	2.23	NR/NR/NR	N	N
Wharf Holdings Ltd/The	N	WHARF 4.3 '18	28/10/2018	103.85	2.83	NR/NR/NR	N	N
Wharf Holdings Ltd/The	N	WHARF 4.5 '21	20/07/2021	105.50	3.39	NR/NR/NR	N	N
Wheelock & Co Ltd	Pos	WHEELK 4.5 '21	02/09/2021	103.30	3.84	NR/NR/NR	OW	OW
Wing Tai Properties Ltd	Pos	WINGTA 4.25 '22	29/11/2022	99.35	4.36	NR/NR/NR	N	N
Yanlord Land Group Ltd	Pos	YLLGSP 6.2 '17	08/05/2017	99.80	6.46	B+/Ba3/NR	OW	OW
First Sponsor Group Ltd	N	FSGSP 4.0 '18	04/06/2018	95.00	6.33	NR/NR/NR	N	N
Perennial Real Estate Holdings Ltd	N	PREHSP 4.25 '18	16/03/2018	100.00	4.25	NR/NR/NR	UW	UW
Perennial Real Estate Holdings Ltd	N	PREHSP 4.65 '18	23/10/2018	99.90	4.69	NR/NR/NR	UW	UW

Singapore property developers

CapitaLand Ltd	Pos	CAPLSP 3.8 '16	10/11/2016	101.30	2.10	NR/NR/NR	N	N
CapitaLand Ltd	Pos	CAPLSP 3.78 '19	16/08/2019	102.25	3.10	NR/NR/NR	OW	OW
CapitaLand Ltd	Pos	CAPLSP 4.35 '19	31/10/2019	105.00	2.93	NR/NR/NR	N	N
CapitaLand Ltd	Pos	CAPLSP 4.3 '20	31/08/2020	105.00	3.12	NR/NR/NR	N	N
CapitaLand Ltd	Pos	CAPLSP 3.8 '24	28/08/2024	101.50	3.59	NR/NR/NR	N	N
City Developments Ltd	Pos	CITSP 1.74 '16	12/12/2016	100.00	1.74	NR/NR/NR	N	N
City Developments Ltd	Pos	CITSP 1.75 '17	18/02/2017	100.00	1.75	NR/NR/NR	N	N
City Developments Ltd	Pos	CITSP 2.45 '18	14/03/2018	100.40	2.25	NR/NR/NR	N	N
City Developments Ltd	Pos	CITSP 3.38 '19	20/03/2019	101.75	2.79	NR/NR/NR	N	N
City Developments Ltd	Pos	CITSP 3.00 '20	27/10/2020	100.20	2.95	NR/NR/NR	N	N
City Developments Ltd	Pos	CITSP 3.75 '22	06/07/2022	102.25	3.36	NR/NR/NR	N	N
City Developments Ltd	Pos	CITSP 3.48 '23	03/04/2023	99.50	3.56	NR/NR/NR	N	N
City Developments Ltd	Pos	CITSP 3.78 '24	21/10/2024	100.80	3.67	NR/NR/NR	N	N
GuocoLand Ltd	Pos	GUOLSP 4.875 '16	11/03/2016	100.20	2.84	NR/NR/NR	N	N
GuocoLand Ltd	Pos	GUOLSP 3.6 '17	07/08/2017	100.00	3.60	NR/NR/NR	OW	OW
GuocoLand Ltd	Pos	GUOLSP 3.4 '18	04/09/2018	99.50	3.60	NR/NR/NR	N	OW
GuocoLand Ltd	Pos	GUOLSP 3.95 '19	01/04/2019	100.25	3.86	NR/NR/NR	N	N
GuocoLand Ltd	Pos	GUOLSP 4.1 '20	13/05/2020	99.75	4.16	NR/NR/NR	N	N
Hong Fok Corp Ltd	Neg	HFCSP 4.75 '18	24/01/2018	101.25	4.08	NR/NR/NR	UW	UW
Hong Fok Corp Ltd	Neg	HFCSP 4.75 '19	22/03/2019	100.00	4.75	NR/NR/NR	UW	UW
Hotel Properties Ltd	N	HPLSP 3.88 '16	01/03/2016	100.25	0.49	NR/NR/NR	N	N
Hotel Properties Ltd	N	HPLSP 3.5 '18	15/01/2018	100.75	3.10	NR/NR/NR	OW	OW
Hotel Properties Ltd	N	HPLSP 3.95 '19	13/09/2019	101.50	3.50	NR/NR/NR	OW	OW
Hotel Properties Ltd	N	HPLSP 3.88 '20	08/04/2020	100.40	3.77	NR/NR/NR	N	N
Hotel Properties Ltd	N	HPLSP 3.85 '21	27/05/2021	100.05	3.84	NR/NR/NR	N	N
QUE Ltd	N	QUESP 4.95 '17	01/02/2017	101.90	3.02	NR/NR/NR	OW	OW
QUE Ltd	N	QUESP 4.25 '19c16	30/10/2019	101.75	3.74	NR/NR/NR	OW	OW
QUE Ltd	N	QUESP 3.8 '20	15/04/2020	99.00	4.06	NR/NR/NR	N	N
Wing Tai Holdings Ltd	N	WINGTA 4.0 '21	07/10/2021	101.00	3.80	NR/NR/NR	N	N
Wing Tai Holdings Ltd	N	WINGTA 4.5 '22	26/09/2022	102.25	4.11	NR/NR/NR	N	N
Wing Tai Holdings Ltd	N	WINGTA 4.25 '23	15/03/2023	100.70	4.13	NR/NR/NR	N	N
Wing Tai Holdings Ltd	N	WINGTA 4.7 '24	28/02/2024	102.50	4.33	NR/NR/NR	N	N
Aspial Corp. Ltd	Neg	ASPSP 5.00 '16	22/07/2016	100.30	4.33	NR/NR/NR	UW	UW
Aspial Corp. Ltd	Neg	ASPSP 4.50 '17	23/01/2017	99.45	5.09	NR/NR/NR	UW	UW
Aspial Corp. Ltd	Neg	ASPSP 5.50 '18	27/11/2018	99.70	5.88	NR/NR/NR	UW	UW
Aspial Corp. Ltd	Neg	ASPSP 5.05 '19	12/06/2019	98.00	5.71	NR/NR/NR	UW	UW
Aspial Corp. Ltd	Neg	ASPSP 5.25 '20	28/08/2020	98.45	5.64	NR/NR/NR	UW	UW

Indicative prices from Bloomberg as of 1 February 2016

Issuer	Issuer Profile	Issue	Maturity	Ask Price	Ask YTW	Ratings	Recommendation	
							Current	Previous

REITS

Ascendas REIT	Pos	AREIT 2.5 '19	16/05/2019	99.00	2.82	NR/A3/NR	N	N
Ascendas REIT	Pos	AREIT 2.95 '20	03/08/2020	99.25	3.13	NR/A3/NR	N	N
Ascendas REIT	Pos	AREIT 4 '22	03/02/2022	104.50	3.17	NR/A3/NR	N	N
Ascendas REIT	Pos	AREIT 3.2 '22	03/06/2022	99.70	3.25	NR/A3/NR	N	N
Ascott Residence Trust	N	ARTSP 4.3 '18	30/11/2018	105.25	2.37	NR/Baa3/NR	N	N
Ascott Residence Trust	N	ARTSP 4.205 '22	23/11/2022	101.63	3.93	NR/Baa3/NR	N	N
CapitaCommercial Trust	N	CCTSP 2.96 '21	13/08/2021	99.50	3.06	A-/A3/NR	N	N
CapitaMall Trust	N	CAPITA 3.85 '17	15/03/2017	102.25	1.80	NR/A2/NR	N	N
CapitaMall Trust	N	CAPITA 3.55 '17	01/09/2017	102.35	2.03	NR/A2/NR	N	N
CapitaMall Trust	N	CAPITA 3.15 '20	18/12/2020	100.50	3.04	NR/A2/NR	N	N
CapitaMall Trust	N	CAPITA 3.75 '24	02/08/2024	101.50	3.54	NR/A2/NR	N	N
CapitaMall Trust	N	CAPITA 3.48 '24	06/08/2024	100.00	3.48	NR/A2/NR	N	N
First REIT	N	FIRTSP 4.125 '18	22/05/2018	99.50	4.35	NR/NR/NR	-	OW
Frasers Centrepoint Trust	N	FCTSP 2.9 '19	10/04/2019	99.25	3.15	BBB+/NR/NR	OW	OW
Frasers Centrepoint Trust	N	FCTSP 3 '20	21/01/2020	99.00	3.27	BBB+/NR/NR	OW	OW
Mapletree Commercial Trust	N	MCTSP 2.65 '19	07/11/2019	99.65	2.75	NR/Baa1/NR	N	N
Mapletree Commercial Trust	N	MCTSP 3.6 '20	24/08/2020	102.75	2.95	NR/Baa1/NR	N	N
Mapletree Commercial Trust	N	MCTSP 3.2 '21	12/04/2021	101.25	2.94	NR/Baa1/NR	UW	N
Mapletree Commercial Trust	N	MCTSP 3.25 '23	03/02/2023	99.50	3.33	NR/Baa1/NR	N	N
Mapletree Industrial Trust	N	MINTSP 3.75 '19	08/03/2019	103.30	2.63	NR/NR/BBB+	N	N
Mapletree Industrial Trust	N	MINTSP 3.65 '22	07/09/2022	103.11	3.12	NR/NR/BBB+	N	N
Mapletree Industrial Trust	N	MINTSP 3.02 '23	11/05/2023	96.00	3.65	NR/NR/BBB+	N	N
Starhill Global REIT	N	SGREIT 3.5 '21	26/02/2021	101.75	3.12	BBB+/NR/NR	N	N
Starhill Global REIT	N	SGREIT 3.4 '23	26/05/2023	100.25	3.36	BBB+/NR/NR	N	N
Suntec REIT	N	SUNSP 2.83 '18	12/11/2018	100.50	2.64	NR/Baa2/NR	N	N
Suntec REIT	N	SUNSP 3.35 '20	10/02/2020	101.00	3.08	NR/Baa2/NR	N	N

Offshore & Marine and Logistics

ASL Marine Holdings Ltd	Neg	ASLSP 4.75 '17	28/03/2017	95.00	9.428	NR/NR/NR	N	N
ASL Marine Holdings Ltd	Neg	ASLSP 5.35 '18	01/10/2018	94.00	7.89	NR/NR/NR	N	N
Ezion Holdings Ltd	Neg	EZISP 4.7 '19	22/05/2019	92.75	7.166	NR/NR/NR	N	N
Ezion Holdings Ltd	Neg	EZISP 4.875 '21	11/06/2021	92.80	7.527	NR/NR/NR	N	N
Ezion Holdings Ltd (CF by DBS)	Neg	EZISP 3.65 '20	05/08/2020	96.50	4.520	NR/NR/NR	OW	N
Ezra Holdings Ltd	Neg	EZRASP 4.75 '16	21/03/2016	98.50	16.61	NR/NR/NR	OW	OW
Ezra Holdings Ltd	Neg	EZRASP 4.875 '18	24/04/2018	85.00	12.85	NR/NR/NR	N	OW
Keppel Corp Ltd	N	KEPSP 3.1 '20	12/10/2020	98.50	3.45	NR/NR/NR	UW	UW
Keppel Corp Ltd	N	KEPSP 3.145 '22	14/02/2022	98.00	3.52	NR/NR/NR	UW	UW
Keppel Corp Ltd	N	KEPSP 3.725 '23	30/11/2023	99.00	3.87	NR/NR/NR	N	OW
Keppel Corp Ltd	N	KEPSP 3.8 '27c22	23/04/2027	96.00	4.41	NR/NR/NR	OW	N
Keppel Corp Ltd	N	KEPSP 4 '42	07/09/2042	90.00	4.66	NR/NR/NR	OW	N
Nam Cheong Ltd	Neg	NCLSP 5 '17	28/08/2017	90.00	12.210	NR/NR/NR	N	N
Nam Cheong Ltd	Neg	NCLSP 6.5 '18	23/07/2018	87.00	12.810	NR/NR/NR	N	N
Nam Cheong Ltd	Neg	NCLSP 5.05 '19	26/08/2019	77.00	13.380	NR/NR/NR	N	N
Neptune Orient Lines Ltd	N	NOLSP 4.25 '17	26/04/2017	99.00	5.16	NR/NR/NR	OW	OW
Neptune Orient Lines Ltd	N	NOLSP 4.4 '19c17	08/11/2019	85.00	9.20	NR/NR/NR	OW	OW
Neptune Orient Lines Ltd	N	NOLSP 4.65 '20c15	09/09/2020	80.00	10.20	NR/NR/NR	N	N
Neptune Orient Lines Ltd	N	NOLSP 4.4 '21c16	22/06/2021	73.00	11.210	NR/NR/NR	N	N
Otto Marine Services Pte Ltd	Neg	OTMLSP 7 '16	01/08/2016	79.00	63.02	NR/NR/NR	UW	UW
Pacific Radiance Ltd	Neg	PACRA 4.3 '18	29/08/2018	85.00	11.18	NR/NR/NR	N	N
Sembcorp Industries Ltd	N	SCISP 3.7325 '20	09/04/2020	99.50	3.86	NR/NR/NR	N	N
Sembcorp Industries Ltd	N	SCISP 3.64 '24	27/05/2024	96.50	4.14	NR/NR/NR	N	N
Sembcorp Industries Ltd	N	SCISP 3.593 '26	26/11/2026	94.00	4.29	NR/NR/NR	N	UW
Singapore Post Ltd	N	SPOST 3.5 '20	30/03/2020	104.00	2.48	A *-/NR/NR	UW	N
Swissco Holdings Ltd	N	SWCHSP 5.7 '18	16/04/2018	89.00	11.50	NR/NR/NR	N	N

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Issuer	Issuer Profile	Issue	Maturity	Ask Price	Ask YTW	Ratings	Recommendation	
							Current	Previous

Others

Golden Agri-Resources Ltd	Neg	GGRSP 4.2 '17	30/04/2017	97.00	6.88	NR/NR/NR	N	N
Golden Agri-Resources Ltd	Neg	GGRSP 5.5 '18	27/04/2018	98.00	6.47	NR/NR/NR	N	N
CITIC Envirotech Ltd	Pos	CELSP 7.25 '16	02/09/2016	102.05	3.63	NR/NR/NR	OW	OW
CITIC Envirotech Ltd	Pos	CELSP 4.7 '18	29/04/2018	100.61	4.41	NR/NR/NR	OW	OW
Gallant Venture Ltd	Neg	GALVSP 5.95 '16	21/04/2016	100.10	5.38	NR/NR/NR	N	N
Gallant Venture Ltd	Neg	GALVSP 5.90 '17	12/05/2017	96.00	9.30	NR/NR/NR	N	N
Gallant Venture Ltd	Neg	GALVSP 7 '17	02/08/2017	97.50	8.82	NR/NR/NR	N	N
Gallant Venture Ltd	Neg	GALVSP 7 '18	06/04/2018	95.00	9.60	NR/NR/NR	N	N
CWT Ltd	N	CWTSP 4 '17	13/03/2017	100.50	3.56	NR/NR/NR	N	N
CWT Ltd	N	CWTSP 3.9 '19	18/04/2019	98.15	4.53	NR/NR/NR	N	N
CWT Ltd	N	CWTSP 4.8 '20	18/03/2020	100.00	4.80	NR/NR/NR	N	N
Century Sunshine Group	N	CENSUN 7.2 '18	04/06/2018	102.00	6.26	NR/NR/NR	OW	OW

Corporate perpetuals

Ascendas REIT	Pos	AREIT 4.75 '49	14/10/2020	101.00	4.51	NR/Baa2/NR	N	N
Ascott Residence Trust	N	ARTSP 5 '49	27/10/2019	101.00	4.70	NR/NR/NR	N	N
Ascott Residence Trust	N	ARTSP 4.68 '49	30/06/2020	99.50	4.80	NR/NR/NR	N	N
CK Hutchison Holdings Ltd	Pos	CHEUNG 5.125 '49	09/09/2016	99.25	5.17	NR/NR/NR	UW	UW
Ezion Holdings Ltd	Neg	EZISP 7 '49	19/11/2018	92.00	10.370	NR/NR/NR	N	N
Genting Singapore Plc	Pos	GENSSP 5.125 '49	12/09/2017	97.50	5.58	NR/Baa3/BBB	OW	OW
GuocoLand Ltd	N	GUOLSP 4.7 '49	27/05/2016	100.50	3.06	NR/NR/NR	OW	OW
Hotel Properties Ltd	N	HPLSP 6.125 '49	04/05/2017	103.00	3.68	NR/NR/NR	OW	OW
Mapletree Logistics Trust	N	MLTSP 5.375 '49	19/09/2017	105.25	2.07	NR/Baa3/NR	N	N
Sembcorp Industries Ltd	N	SCISP 5 '49	21/08/2018	98.50	5.63	NR/NR/NR	N	N
Sembcorp Industries Ltd	N	SCISP 4.75 '49	20/05/2020	94.00	6.37	NR/NR/NR	OW	N
Singapore Post Ltd	N	SPOST 4.25 '49	02/03/2022	103.50	3.60	A *-NR/NR	UW	UW

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