

Apr 18, 2016

Market Commentary: The SGD swap curve bull-steepened last Friday retracing some of the increases in the previous session in the wake of the surprise easing by the MAS. Short-end rates traded 4bps-5bps lower, while belly-to-long-end rates traded 2bps-3bps lower. Flows in the SGD corporate space were moderate, with good activity around the ARTSP perps post results release. We saw better buyers in OLAMSP 6%'22s, better sellers in ARTSP 4.68%'49s and mixed interests in FCL4.88%'49s, GENSSP 5.125%'49s, STANLN 4.4%'26s, ABNAV 4.75%'26s and ARTSP 5%'49s. In the broader dollar space, the spread on the JACI IG corporates tightened 1 bps to 228bps while the yield on the JACI HY corporates decreased by 2bps to 7.44%. 10y UST yield decreased by 4bps to 1.75%.

New Issues: Maybank is holding investor meetings in Singapore and Hong Kong starting today for a possible USD tier 2 bond.

Rating Changes: Moody's affirmed the "Baa3" issuer rating of China National Gold Group Corporation ("CNG"), concluding the review for downgrade initiated on 22 January 2016. The rating action reflects Moody's expectation that CNG will maintain a relatively stable operating and financial profile under Moody's assumption of gold price and the company's plan to scale back on capex in the next one to two years. Outlook is negative.

Credit Headlines:

Malayan Banking Berhad ("Maybank"): Maybank upsized its multi-currency medium term note program to USD15bn from USD5bn. The program was also updated to include relevant clauses for the potential issue of new style bank capital instruments that will need to include loss absorption features to be considered as bank capital. Maybank's capital ratios improved in FY2015 however the program upsize and update considers that Maybank's capital requirements will likely increase to meet future capital requirements. (Company, OCBC)

Table 1: Key Financial Indicators

	18-Apr	1W chg (bps)	1M chg (bps)		18-Apr	1W chg	1M chg
iTraxx Asiax IG	141	-5	11	Brent Crude Spot (\$/bbl)	40.93	-4.44%	-0.66%
iTraxx SovX APAC	57	-2	-4	Gold Spot (\$/oz)	1,237.07	-1.02%	-1.46%
iTraxx Japan	74	-12	-5	CRB	173.64	1.52%	-1.54%
iTraxx Australia	135	-4	9	GSCI	336.25	2.20%	0.28%
CDX NA IG	80	-1	-5	VIX	13.62	-11.33%	-2.85%
CDX NA HY	103	0	0	CT10 (bp)	1.722%	-0.33	-15.11
iTraxx Eur Main	73	-5	3	USD Swap Spread 10Y (bp)	-15	-3	2
iTraxx Eur XO	318	-15	9	USD Swap Spread 30Y (bp)	-47	-1	4
iTraxx Eur Snr Fin	90	-10	9	TED Spread (bp)	41	1	10
iTraxx Sovx WE	27	-1	-1	US Libor-OIS Spread (bp)	25	-1	1
iTraxx Sovx CEEMEA	137	-12	-20	Euro Libor-OIS Spread (bp)	10	0	-1
					18-Apr	1W chg	1M chg
				AUD/USD	0.764	0.96%	0.42%
				USD/CHF	0.967	-1.03%	0.31%
				EUR/USD	1.130	-0.81%	0.26%
				USD/SGD	1.362	-1.18%	-0.27%
Korea 5Y CDS	65	0	10	DJIA	17,897	1.82%	1.68%
China 5Y CDS	122	-2	16	SPX	2,081	1.62%	1.52%
Malaysia 5Y CDS	152	-2	9	MSCI Asiax	513	2.68%	2.30%
Philippines 5Y CDS	100	-2	7	HSI	21,316	4.64%	3.12%
Indonesia 5Y CDS	202	-4	24	STI	2,924	4.12%	0.59%
Thailand 5Y CDS	124	-5	2	KLCI	1,728	0.56%	0.68%
				JCI	4,824	-0.48%	-1.27%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
14-Apr-16	Kia Motors	A-/Baa1/NR	USD400mn	5-year	CT5+145bps
14-Apr-16	Kia Motors	A-/Baa1/NR	USD300mn	10-year	CT10+152.5bps
14-Apr-16	Frasers Centrepoint Ltd	NR/NR/NR	SGD250mn	10-year	4.25%
14-Apr-16	Hungary	BB+/Ba1/BB+	CNH1bn	3-year	6.25%
13-Apr-16	China Vanke Co Ltd	BBB/Baa2/BBB+	HKD1.375bn	3-year	2.5%
13-Apr-16	Central Nippon Expressway Co Ltd	NR/A1/NR	USD250mn	5-year	3mL+107bps
13-Apr-16	Central Nippon Expressway Co Ltd	NR/A1/NR	USD350mn	5-year	CT5+107bps
13-Apr-16	Sunshine Life Insurance Corporation	NR/Baa1/NR	USD500mn	3-year	CT3+165bps

Source: OCBC, Bloomberg

Credit Headlines:

URA data released on Friday indicated a pickup in private home sales activity in 1Q2016. 1,470 private units were sold in 1Q2016, up 12% y/y from 1,311 units in 1Q2015. 843 units were sold in March 2016 alone, almost tripling from 303 units in February mainly on the strong reception to new launches such as CapitaLand's Cairnhill Nine (177 out of 200 launched units sold) which was the best-selling project in March. We think the data points to strong underlying demand that is ready to step in to pick up bargains and vindicates the government's move not to remove cooling measures in the 2016 Budget. It will be interesting to watch if transaction activity continues to pick up in the months ahead especially if buyers who were holding out for a possible lifting of the cooling measures finally step in to the market and also considering the 1Q2016 pickup in prices (+0.4% q/q) in the high beta CCR segment. (Business Times, OCBC)

Capitaland Mall Trust ("CMT"): Gross revenue was up 7.4% y/y to SGD179.8mn while NPI increased 8.6% y/y to SGD127.9mn. The gains were largely driven by the Bedok Mall acquisition made during 4Q2015. Portfolio occupancy was steady at 97.7% (2015: 97.6%). However, rental reversions were soft at just 1.4% (2015: 3.7%). This performance is consistent with our view that property managers will seek to support occupancy at the expense of lease rates. The environment remains challenging, with Singapore retail sales (excluding autos) plunging 9.6% y/y in February (the worst performance since February 2014). CMT's leverage remains in line with peers, with aggregate leverage at 35.5% (2015: 35.4%). Net debt / EBITDA was stable as well at 5.8x (2015: 6.0x). There are no debt maturities left for 2016 (as the Raffles City related borrowings have already been refinanced) though CMT does have a SGD100mn bond maturing in March 2017. During the quarter, CMT managed to raise SGD100mn in 10y bonds paying 3.5%. The proceeds were used to refinance SGD100mn in unsecured banking facilities originally due in 2017. Looking forward, the Funan Mall redevelopment, which is expected to commence from 2H2016 onwards, would likely have the largest impact on CMT's balance sheet. No details have been given for now. We will continue to hold CMT's Issuer Profile at Neutral. (Company, OCBC)

Ascott Residence Trust ("ART"): ART reported 1Q2016 results on Friday. Revenue for the quarter increased by 17% to SGD105.5m (1Q2015: SGD90m) on the back of contribution from ART's maiden US acquisition in July 2015, a 411 keys hotel in Times Square. D/A of ART was relatively flat at 38.9% vs. 39.3% as at 31-Dec-2016. Interest coverage as defined by EBITDA/Interest was 3.3x. However, based on our adjusted coverage ratio which takes into account distributions to perpetual holders, coverage has declined to 2.4x in 1Q2016 (1Q2015: 2.7x in 1Q2015). Despite the increase in gross profits of 13%, perpetual distribution was higher due to a second perpetual issuance of SGD250m in June 2015. ART's second US acquisition, the Sheraton Tribeca is on track to be completed within April 2016 and is expected to improve coverage ratios for 2Q2016 to ~2.5x. The short-stay hospitality segment (less than one week average length of stay) contributed 45% to rental income in 1Q2016 (this segment contributed 43% and 37% in FY2015 and FY2014 respectively). We continue to expect higher income contribution from the short-stay segment going forward. (Company, OCBC)

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