

July 1, 2016

Market Commentary: The SGD swap curve traded upwards yesterday, with the swap rates traded 1-6bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in BAERVX 5.9%'49s, GENSSP 5.13%'49s and NAB 4.15%'28s while mixed interests were seen in UCGIM 5.5%'23s and ABNANV 4.7%'22s. The Itraxx Asia ex-Japan IG index opened at 138bps this morning, 2bps lower from yesterday's close and 5bps lower than the trailing one month average. 10y UST yield decreased by 5bps to 1.47%.

Rating Changes: S&P has placed Nextgen Networks Pty Ltd's "B+" credit rating on review for upgrade. S&P downgraded China XD plastics (CXDC) Co. Ltd. to "B+" from "BB-" with a negative outlook. The downgrade reflects CXDC's shrinking profitability amid softening industry conditions alongside a slowdown of automobile sales in China. S&P affirmed China Merchants Holdings International (CMHI) Co. Ltd.'s credit rating of "BBB+" and revised its outlook to negative from stable. The revision reflects S&P's expectation of CMHI's financial strength to come under pressure due to fragile growth stemming from global macroeconomic conditions, the company's rising leverage to finance acquisitions, and the weaker profitability of its recently acquired assets. Moody's withdrew Bank ICBC Indonesia (P.T.)'s "Baa2" long-term local currency deposit rating, the bank's "Baa3" long-term foreign currency deposit ratings, and the bank's "Baa2" long-term issuer rating due to its own business reasons. Moody's has placed Power Construction Corporation of China's (PowerChina) "A3" credit rating on review for downgrade following concerns over PowerChina's noticeable rising leveraging which is weak for its baseline credit assessment of "Baa3". Moody's downgraded China South City (CSC) Holdings Ltd.'s corporate rating to "B2" from B1" with a negative outlook. The downgrade reflects Moody's expectation of continued weak contracted sales and credit metrics for CSC in the next 12-18 months, which will position the company in the mid-B rating range. Fitch assigned a first time credit rating of "BBB+" on Huai'an Development Holdings (HAD) Co. Ltd. with stable outlook. The ratings of HAD are credit-linked to but not equalized with Fitch's internal credit assessment of the Huai'an Municipality. This is reflected in the government's 100% stake in HAD, strong government control and oversight of the company, and strategic importance of HAD's operation to the municipality, giving rise to extraordinary support, if needed from the municipality.

Table 1: Key Financial Indicators

	1-Jul	1W chg (bps)	1M chg (bps)		1-Jul	1W chg	1M chg
iTraxx Asiax IG	138	-12	-4	Brent Crude Spot (\$/bbl)	49.71	-2.36%	0.04%
iTraxx SovX APAC	53	-2	0	Gold Spot (\$/oz)	1,321.87	0.47%	8.98%
iTraxx Japan	67	-10	1	CRB	192.57	-0.49%	3.08%
iTraxx Australia	125	-11	-4	GSCI	374.03	-1.76%	0.64%
CDX NA IG	77	-10	0	VIX	15.63	-9.39%	10.07%
CDX NA HY	103	2	1	CT10 (bp)	1.465%	-9.53	-37.08
iTraxx Eur Main	80	-13	6	USD Swap Spread 10Y (bp)	-11	2	3
iTraxx Eur XO	351	-49	35	USD Swap Spread 30Y (bp)	-46	1	2
iTraxx Eur Snr Fin	112	-14	19	TED Spread (bp)	40	4	3
iTraxx Sovx WE	32	-5	7	US Libor-OIS Spread (bp)	27	0	5
iTraxx Sovx CEEMEA	127	-8	-12	Euro Libor-OIS Spread (bp)	8	-2	-1
					1-Jul	1W chg	1M chg
				AUD/USD	0.745	-0.21%	2.66%
				USD/CHF	0.977	-0.46%	1.19%
				EUR/USD	1.111	-0.11%	-0.74%
				USD/SGD	1.347	0.48%	2.23%
Korea 5Y CDS	55	-6	-4	DJIA	17,930	-0.45%	0.79%
China 5Y CDS	120	-10	-6	SPX	2,099	-0.68%	-0.02%
Malaysia 5Y CDS	153	-14	-10	MSCI Asiax	504	3.33%	2.04%
Philippines 5Y CDS	112	-8	0	HSI	20,794	-0.35%	0.16%
Indonesia 5Y CDS	182	-18	-12	STI	2,841	1.69%	1.81%
Thailand 5Y CDS	112	-11	-10	KLCI	1,654	0.86%	1.70%
				JCI	5,017	2.92%	3.66%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
30-June-16	First REIT	NR/NR/NR	SGD60mn	Perp.	5.68%
30-June-16	Fullerton Healthcare Corp.	AA/NR/NR	USD50mn	5NC3	2.45%
30-June-16	Fullerton Healthcare Corp.	AA/NR/NR	SGD50mn	7NC3	2.75%
28-June-16	CITIC Envirotech Ltd.	NR/NR/NR	USD180mn	Perp.	4.25%
24-June-16	Housing & Development Board	NR/Aaa/NR	SGD700mn	15-year	2.55%
23-June-16	CapitalLand Commercial Trust	A-/NR/NR	SGD75mn	6-year	2.77%
23-June-16	Hanrui Overseas Investment Co.	NR/NR/BB+	USD300mn	3-year	5.25%
22-June-16	Astrea III Pte. Ltd	A/NR/A	SGD228mn	3-year	3.9%

Source: OCBC, Bloomberg

Rating Changes (Cont'd):

Fitch has assigned Insurer Financial Strength rating of “A-“ with stable outlook on China United Property Insurance (CUPI) Co. Ltd. The rating reflects CUPI’s profitable operating margin, manageable exposure to equities and its ownership linkage with China Orient Asset Management Corporation. Fitch affirmed China Huarong Asset Management (China Huarong) Co Ltd’s credit rating of “A” with a stable outlook. China Huarong’s rating is credit-linked one notch below that of the Chinese sovereign (A+/Stable), reflecting the company’s state ownership and strong control by the authorities. Its strategic ties with the state mean there is a strong likelihood the company would receive extraordinary support from the sovereign, if needed.

Credit Headlines:

OUE Limited (“OUE”): OUE associate company OUE Hospitality Trust (“OUEHT”) has announced that it has entered into a SGD270mn 3-year secured loan facility, which will be used to partially refinance their existing SGD630mn syndicated facility (issued July 2013) and / or to partially finance the acquisition of the Crowne Plaza Changi Airport Extension (“CPEX”). As such, the injection of the CPEX by OUE into OUEHT at a consideration of SGD205mn looks to be on track for the earlier part of 2H2016. (Company)

Ezion Holdings Limited (“EZI”): EZI has announced a rights issue of up to 487.3mn new shares (3 rights for every 10 existing shares), priced at SGD0.29 per share (compared to the current share price of SGD0.52). The CEO / founder, Mr Chew Thiam Keng, along with his spouse, have committed towards subscribing to their entitlement (~14.1% existing stake) as well as undertaken to subscribe for further excess rights shares which in aggregate with their entitlement would total SGD50mn. At the issue price, the underwritten shares would be 172.4mn shares, or 35.4% of the shares to be issued. The rights issue is expected to raise ~SGD140mn, with EZI intending to use 70% for offshore marine acquisitions and existing asset enhancements. The balance 30% will be retained for working capital purposes. We believe that this rights issue is a credit positive and would improve EZI’s net gearing from 111% (end-1Q2016) to pro-forma 95% (assuming cash raised is not immediately spent). The improvements would only be seen in 3Q2016 results. We will continue to hold EZI’s Issuer Profile at Negative for now, but will review EZI’s 2Q2016 results for a potential upgrade. (OCBC, Company)

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

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@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 and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.