

June 1, 2016

**Market Commentary:** SGD swap rates were range-bound yesterday, with the short-end and belly trading 1bps lower while the long end traded 1bps higher. Flows in SGD corporates were heavy with better buying in STANLN 4.4%'26s, UOBSP 4%'49s, GEMAU 5.5%'19s, SOCGEN 4.3%'26s, NAB 4.15%'28s and better selling in, HYFSP 6%'49s. Meanwhile we also saw mixed interests in, ABNANV 4.75%'26s, FRESHK 4.25%'19s, ASPSP 4.5%'17s and UCGIM 5.5%'23s. In the broader dollar space, the spread on JACI IG corporates decreased by 3 bps to 219bps, while the yield on JACI HY corporates decreased by 9bps to 7.12%. 10y UST yield remained relatively unchanged overnight at 1.85%.

**New Issues:** GSH Corporation Ltd priced a SGD60m 3-year bond at 5.15%, tightening from its initial guidance of 5.25%. Prudential PLC priced a USD1bn tier 2 bond at 5.25%, tightening from its initial guidance of 5.75%. The expected ratings are "A-/A3/BBB+". Starhub Ltd priced a SGD300m 10-year bond at 3.55%, tightening from its initial guidance of SOR+110bps. SGSP Australia Asset Property Ltd. has scheduled investor meetings in Melbourne, Sydney, Singapore, Hong Kong and London from June 6 onwards.

**Rating Changes:** S&P downgraded its corporate credit rating on Advanced Info Service (AIS) Public Co. Ltd. to "BBB+" from "A-", reflecting AIS weakened capital structure, given the substantial debt-funded payment that the company has committed to make to secure the 900MHz spectrum license on 27 May, 2016. The outlook is negative. Moody's withdrew all credit ratings on China Automation Group Limited for its own business reason. The rating prior withdrawal was "B1" with stable outlook. S&P downgraded its credit rating of China United SME Guarantee Corporation to "BB+" from "BBB-", reflecting the reduced likelihood of extraordinary government support or intervention by the Chinese government to Sino Guarantee in time of stress. The outlook is negative. S&P affirmed CLP Holdings "A1" long term corporate credit rating and revised its outlook to positive from stable. At the same time, S&P also revised its outlook on CLP Power Hong Kong Ltd (Subsidiary of CLP Holdings) to positive from stable. The revision reflects the reduction in its parent company's debt levels through the proceeds from asset sales and improvement in its cash flow leveraging. Moody's has withdrawn all credit ratings on OUE Commercial REIT. The rating prior withdrawal was "Ba1" with a stable outlook. Fitch affirmed its credit rating of "B+" on Zoomlion Heavy Industry Science and Technology Co. Ltd. (Zoomlion). The outlook is negative, reflecting Fitch's expectation of the poor market environment for construction equipment in China to continue to pressure Zoomlion's performance.

Table 1: Key Financial Indicators

|                    | 1-Jun | 1W chg (bps) | 1M chg (bps) |                            | 1-Jun    | 1W chg  | 1M chg |
|--------------------|-------|--------------|--------------|----------------------------|----------|---------|--------|
| iTraxx Asiax IG    | 143   | 1            | -1           | Brent Crude Spot (\$/bbl)  | 49.67    | -0.14%  | 3.20%  |
| iTraxx SovX APAC   | 53    | 0            | -2           | Gold Spot (\$/oz)          | 1,218.52 | -0.48%  | -5.65% |
| iTraxx Japan       | 65    | -3           | -9           | CRB                        | 186.15   | 1.61%   | 0.84%  |
| iTraxx Australia   | 126   | -2           | -7           | GSCI                       | 370.95   | 1.66%   | 2.92%  |
| CDX NA IG          | 77    | -1           | -1           | VIX                        | 14.19    | -10.30% | -9.62% |
| CDX NA HY          | 103   | 0            | 0            | CT10 (bp)                  | 1.844%   | -2.23   | 1.08   |
| iTraxx Eur Main    | 73    | 1            | -1           | USD Swap Spread 10Y (bp)   | -14      | 0       | -3     |
| iTraxx Eur XO      | 311   | 4            | -1           | USD Swap Spread 30Y (bp)   | -48      | 0       | -2     |
| iTraxx Eur Snr Fin | 90    | 0            | 0            | TED Spread (bp)            | 40       | 8       | -3     |
| iTraxx Sovx WE     | 25    | -1           | 0            | US Libor-OIS Spread (bp)   | 21       | 1       | -4     |
| iTraxx Sovx CEEMEA | 140   | -1           | 13           | Euro Libor-OIS Spread (bp) | 8        | 0       | -1     |
|                    |       |              |              |                            |          |         |        |
|                    |       |              |              |                            | 1-Jun    | 1W chg  | 1M chg |
|                    |       |              |              | AUD/USD                    | 0.724    | 0.61%   | -5.54% |
|                    |       |              |              | USD/CHF                    | 0.994    | -0.23%  | -3.95% |
|                    |       |              |              | EUR/USD                    | 1.113    | -0.24%  | -3.52% |
|                    |       |              |              | USD/SGD                    | 1.378    | 0.00%   | -2.74% |
|                    |       |              |              |                            |          |         |        |
| Korea 5Y CDS       | 59    | 0            | -6           | DJIA                       | 17,787   | 1.68%   | 0.08%  |
| China 5Y CDS       | 126   | 4            | -4           | SPX                        | 2,097    | 2.39%   | 1.53%  |
| Malaysia 5Y CDS    | 162   | 3            | -4           | MSCI Asiax                 | 494      | 1.78%   | -1.61% |
| Philippines 5Y CDS | 113   | 3            | 2            | HSI                        | 20,815   | 2.19%   | -1.20% |
| Indonesia 5Y CDS   | 193   | 4            | 2            | STI                        | 2,789    | 0.82%   | -1.73% |
| Thailand 5Y CDS    | 121   | 0            | -4           | KLCI                       | 1,625    | -0.34%  | -2.83% |
|                    |       |              |              | JCI                        | 4,797    | 1.83%   | -0.86% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date      | Issuer                         | Ratings     | Size     | Tenor    | Pricing      |
|-----------|--------------------------------|-------------|----------|----------|--------------|
| 31-May-16 | GSH Corp Ltd                   | NR/NR/NR    | SGD60mn  | 3-year   | 5.15%        |
| 31-May-16 | Starhub Ltd                    | NR/NR/NR    | SGD300mn | 10-year  | 3.55%        |
| 31-May-16 | Prudential PLC                 | A+/A2/A+    | USD1bn   | Perp-nc5 | 5.25%        |
| 26-May-16 | China Huarong Asset Management | A-/A3/A     | USD700mn | 3-year   | CT3+177.5bps |
| 26-May-16 | China Huarong Asset Management | A-/A3/A     | USD900mn | 5-year   | CT5+200bps   |
| 26-May-16 | China Huarong Asset Management | A-/A3/A     | USD900mn | 10-year  | CT10+290bps  |
| 26-May-16 | BPCE SA                        | BBB/Baa3/A- | SGD130mn | 10NC5    | 4.50%        |
| 26-May-16 | Midea Group Company Limited    | A-/NR/A-    | USD700m  | 3-year   | CT3+135bps   |

Source: OCBC, Bloomberg

## Credit Headlines:

Pacific Radiance Ltd (PACRA)/ Swiber Holdings Ltd (Swiber): The Business Times (BT) ran an article on an ongoing debt restructuring exercise at Swiber and PACRA by DBS and UOB for bank loans at the 2 O&M companies. One option according to BT, will extend the tenure of the bank loans to 15-year from the current 5-8 years. The article also cited industry sources saying the debt restructuring was initiated partly because the listed company runs the risk of breaching the standing covenants on its interest payments. We are not privy to the information contained in the BT article and understand that any discussions between the companies and their lending banks are private and bilateral in nature. However, should a scenario transpire where repayment schedules for PACRA and Swiber gets extended, this should help their liquidity profiles overall given the tight liquidity situation at both companies. We currently have a Negative issuer profile on PACRA post its 1Q2016 results where the company generated a gross loss of USD1.3mn for the quarter and reported higher leverage with net gearing higher at 105% (end-2015:85%). As at 31 March 2015, PACRA has about USD110.8mn in short-term debt (mainly the amortizing part of vessel financing), compared to a cash balance of USD32.7mn. We expect the challenged operating environment and additional committed capex to keep free cash flow at negative. We do not cover Swiber. Source: BT, OCBC

Mapletree Commercial Trust ("MCT"): Current CFO Loke Huey Teng has resigned for personal reasons. She was in charge of all financial affairs, including corporate finance, financial reporting, tax and treasury functions. MCT has appointed Janica Tan Bee Lian as CFO (designate) and will officially take over on 1 August 2016. Ms Tan was most recently CFO of OUE Commercial REIT. Source: Company, OCBC

Suntec REIT ("SUN"): SUN has appointed Chan Kong Leong as COO. Mr Chan will assist the CEO on operational matters, asset management, investment, investor relations and strategic planning. Most recently, Mr Chan was a Senior Vice President at Capitaland Ltd and headed the regional investment, asset and fund management functions. Source: Company, OCBC

Soilbuild REIT ("SBREIT"): SBREIT's tenant Technics Oil & Gas and its subsidiary Technics Offshore Engineering Pte Ltd (collectively, "Technics") is attempting to rehabilitate the company in a court-supervised rescue plan. Technics has made an application to the High Court of Singapore for an order to place Technics under judicial management and have nominated the appointment of BDO LLP as judicial managers. Bursa-listed Eversendai owns slightly less than 30% of Technics. Source: Company, OCBC

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