

June 10, 2016

Market Commentary: The SGD swap rates flattened yesterday, trading 1-6bps lower across all tenors. Flows in the SGD corporates were moderate with better buying in SOCGEN 4.3%'26s, NAB 4.15%'28s, STANLN 4.4%'26s and UOBSP 4%'49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 225bps while the spread on JACI HY corporates decreased by 2bps to 6.94%. 10Y UST yields decreased by 2bps to 1.68%, the lowest since February, as renewed concern over softer economic expansion and a potential U.K exit from the EU boosted demand for the safest government securities. The futures market's implied probability of a June Federal Reserve interest rate hike has also fallen to 0% from 22% a week ago.

News Issues: Kookmin Bank has schedule investor meetings in Asia and U.S for a potential USD bond issue from 13 June onwards. The expected issue ratings are "A/A1/A".

Rating Changes: S&P downgraded Chesapeake Energy Corp.'s corporate credit rating to "SD" from "CCC" following the announcement that the company will exchange a portion of its debt maturing or putable in the coming years. S&P viewed the exchanges as distressed because investors are receiving less than the original promise. Also, the company is over leveraged with potential liquidity issues in the near-term due to total 2017 maturities and a likely put totalling about USD1.5bn.

Table 1: Key Financial Indicators

	10-Jun	1W chg (bps)	1M chg (bps)		10-Jun	1W chg	1M chg
iTraxx Asiax IG	142	1	-1	Brent Crude Spot (\$/bbl)	51.95	3.82%	19.07%
iTraxx SovX APAC	52	-1	-1	Gold Spot (\$/oz)	1,269.00	1.99%	0.25%
iTraxx Japan	67	-1	-9	CRB	195.10	3.76%	10.20%
iTraxx Australia	125	-4	-10	GSCI	387.76	3.53%	13.09%
CDX NA IG	76	-1	-5	VIX	14.64	7.41%	0.48%
CDX NA HY	103	1	1	CT10 (bp)	1.687%	-11.22	-6.40
iTraxx Eur Main	75	-1	-2	USD Swap Spread 10Y (bp)	-13	0	3
iTraxx Eur XO	321	-7	-2	USD Swap Spread 30Y (bp)	-48	0	1
iTraxx Eur Snr Fin	97	1	0	TED Spread (bp)	41	0	-1
iTraxx Sovx WE	26	0	0	US Libor-OIS Spread (bp)	26	-1	2
iTraxx Sovx CEEMEA	124	-9	-11	Euro Libor-OIS Spread (bp)	8	0	0
					10-Jun	1W chg	1M chg
				AUD/USD	0.743	0.86%	0.91%
				USD/CHF	0.965	1.17%	1.18%
				EUR/USD	1.131	-0.49%	-0.54%
				USD/SGD	1.354	0.24%	1.09%
Korea 5Y CDS	60	1	-2	DJIA	17,985	0.82%	1.58%
China 5Y CDS	124	1	-2	SPX	2,115	0.49%	2.76%
Malaysia 5Y CDS	160	-2	3	MSCI Asiax	508	2.25%	4.67%
Philippines 5Y CDS	111	0	-1	HSI	21,298	2.59%	5.66%
Indonesia 5Y CDS	191	-1	5	STI	2,844	1.74%	3.74%
Thailand 5Y CDS	119	-1	-5	KLCI	1,651	1.23%	0.90%
				JCI	4,877	0.90%	2.39%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
8-June-16	Samvardhana Motherson Automotive	BB+/NR/NR	USD300mn	5NC3	4.875%
8-June-16	Sultanate of Oman	BBB-/Baa1/NR	USD1bn	7-year	MS+245bps
8-June-16	Sultanate of Oman	BBB-/Baa1/NR	USD1.5bn	12-year	MS+320bps
7-June-16	ICBC Dubai	A/A1/NR	USD400mn	5-year	CT5+140bps
7-June-16	Republic of Indonesia	BB+/Baa3/BBB-	EUR1.5bn	7-year	MS+260bps
7-June-16	Republic of Indonesia	BB+/Baa3/BBB-	EUR1.5bn	12-year	MS+325bps
7-June-16	China State Construction Engineering	A/A2/A	USD500mn	3-year	CT3+142.5bps
7-June-16	China State Construction Engineering	A/A2/A	USD500mn	5-year	CT5+152.5bps

Source: OCBC, Bloomberg

Credit Headlines:

Neptune Orient Lines ("NOL"): It has been announced that Temasek has tendered their 66.8% stake in NOL to CMA CGM. As a result, CMA CGM's offer for NOL is now unconditional. CMA CGM now controls 78.1% of NOL, and reiterated its intent to delist NOL from the SGX once it controls more than 90% of NOL, potentially by exercising its right to compulsory acquire the balance of shares it does not already own (pursuant to Section 215(1) of the Companies Act (Chapter 50 of Singapore)). It is also worth noting that CMA CGM has appointed both an executive chairman (who is part of the CMA CGM controlling Saade family), as well as a CEO, at NOL. The transaction looks to be on track for completion in 3Q2016. Though the macro environment remains challenging for container liners in general, we believe that NOL will be better positioned as part of CMA CGM (3rd largest container liner globally). Though CMA CGM's credit profile will deteriorate sharply post the acquisition, we expect CMA CGM to focus on deleveraging post the merger. We currently hold NOL at Neutral Issuer Profile. (Company, OCBC)

Genting Singapore ("GENS"): It was reported that GENS will be reducing its headcount by ~400 pax (about 3% of its total workforce). The news report attributed this to the fall in high rollers from China. This is consistent with management's previous disclosure about rebalancing GENS's product offering away from VVIP and to premium mass and mass markets. Over the past 12 months, GENS has been plagued by bad debt arising from its VVIP financing. We expect GENS's bad debt levels to improve with time given the pivot away from the VVIP business. We currently hold GENS at Positive Issuer Profile due to its strong and sustained free cash flow generation. (Today, OCBC)

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