

Mar 10, 2016

Market Commentary: The SGD swap curve bull-flattened yesterday, with the short-end rates trading 3bps-4bps lower while the long-end rates traded 18bps lower. In the broader dollar space, JACI IG corporates spread tightened by 1bp to 240bps, while the yield on the JACI HY corporates increased by 4bps to 8.02%. 10y UST yield increased by 5bps to 1.88%.

New Issues: National Australian Bank priced a USD1.4bn 5-year bond at MS+97bps, tightening from an initial guidance of MS+100bps. The issue has an expected rating of "NR/Aaa/AAA". UOB priced a USD500mn 10.5NC5.5 bond at CT10+220bps, tightening from an initial guidance of CT10+235bps. The issue is a Tier 2 subordinated note, with an expected rating of "NR/A2/A+". ANZ launched an offer for a two-tranche deal; a NZ100mn 3-year floating rate bond with an indicative margin of 1%p.a. and a NZ100mn5-year fixed rate bond with an indicative margin of 1.4% p.a. ANZ also scheduled investor meetings starting today for a possible USD bond issue. AusNet Services issued a final price guidance for a USD 60NC5.5 hybrid securities of 5.75%-5.875%. The structure is similar to the recent issue in SGD, and has an expected rating of "BBB/Baa2/NR". OCBC Bank's Sydney branch intends to launch a 4Y Senior Unsecured AUD bond with an initial price guidance of 3MBBSW+123bps.

Rating Changes: Moody's withdrew its corporate family rating for Cache Logistics Trust ("Cache"), citing it was an internal business decision by Moody's. Cache was previously rated "Baa3" by Moody's.

Table 1: Key Financial Indicators

	10-Mar	1W chg (bps)	1M chg (bps)		10-Mar	1W chg	1M chg
iTraxx Asiax IG	147	-2	-18	Brent Crude Spot (\$/bbl)	41.07	11.21%	35.46%
iTraxx Sovx APAC	69	-1	-14	Gold Spot (\$/oz)	1,252.69	0.83%	5.94%
iTraxx Japan	88	3	-9	CRB	172.22	4.62%	10.12%
iTraxx Australia	146	4	-19	GSCI	328.73	7.29%	16.45%
CDX NA IG	96	-1	-25	VIX	18.34	7.31%	-30.24%
CDX NA HY	101	0	4	CT10 (bp)	1.878%	4.40	20.96
iTraxx Eur Main	91	-4	-26	USD Swap Spread 10Y (bp)	-16	-1	-3
iTraxx Eur XO	374	-14	-84	USD Swap Spread 30Y (bp)	-51	1	-3
iTraxx Eur Snr Fin	98	-2	-29	TED Spread (bp)	33	-1	2
iTraxx Sovx WE	30	0	0	US Libor-OIS Spread (bp)	24	0	-1
iTraxx Sovx CEEMEA	177	-5	-18	Euro Libor-OIS Spread (bp)	14	-1	0
					10-Mar	1W chg	1M chg
				AUD/USD	0.747	1.87%	5.18%
				USD/CHF	0.998	-0.14%	-2.38%
				EUR/USD	1.098	0.96%	-2.46%
				USD/SGD	1.382	0.74%	0.84%
Korea 5Y CDS	63	-1	-11	DJIA	17,000	0.60%	6.82%
China 5Y CDS	128	0	-14	SPX	1,989	0.14%	7.42%
Malaysia 5Y CDS	166	-1	-27	MSCI Asiax	480	0.16%	5.27%
Philippines 5Y CDS	110	-2	-23	HSI	19,996	-0.04%	3.67%
Indonesia 5Y CDS	205	-7	-50	STI	2,810	3.06%	8.84%
Thailand 5Y CDS	141	-4	-26	KLCI	1,686	-0.28%	2.55%
				JCI	4,811	0.65%	0.89%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
10-Mar-16	National Australian Bank	NR/Aaa/AAA	USD1.4bn	5-year	MS+97bps
10-Mar-16	UOB Ltd	NR/A2/A+	USD500mn	10.5NC5.5	CT10+220bps
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD750mn	3-year	CT3+108bps
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD750mn	3-year	3mL+106bps
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD1bn	5-year	CT5+125bps
08-Mar-16	Korea Export Import Bank (KEXIM)	AA-/Aa2/AA-	EUR750mn	3-year	MS+58bps
07-Mar-16	TD Bank	Nr/Aaa?NR	USD1.75bn	5-year	MS+90
07-Mar-16	Hyundai Capital Services Inc	A-/Baa1/NR	USD500mn	5-year	CT5+150bps

Source: OCBC, Bloomberg

Credit Headlines:

Capitaland ("CAPL"): CAPL's serviced residence business unit Ascott Limited ("Ascott") has acquired a 50-unit serviced residence property in One-North business park. This property is operating and will be rebranded to Citadines Fusionopolis Singapore starting next month. (Company)

Wharf Holdings ("WHARF"): WHARF reported core profit (excludes revaluation gains) of HKD11.0bn for 2015, up 4.7% y/y. Net profit though fell sharply from HKD36.4bn in 2014 to HKD16.8bn, due to lower revaluation gains on WHARF's investment properties (2014: HKD28.3bn, 2015: HKD6.2bn) due to the weaker market. In aggregate, WHARF was able to grow its Hong Kong investment properties' revenues and operating profits, despite the tough environment for retail. WHARF's China investment properties have performed well, with strong retail revenue growth and high occupancy. Due to the easing measures on China's property market, WHARF's residential development properties there have done well. Contracted sales were RMB26bn, 21% higher than their original target. During the year, WHARF acquired six development sites (via JVs) for RMB4.7bn, with a GFA of 0.26mn sqm. The current land bank is maintained at 8.4mn sqm, spanning 15 cities. That said, WHARF has indicated that it will focus on 10 cities for development projects going forward, lower than the current 15 cities. The target sales for 2016 is RMB24bn, lower than the RMB26bn realized in 2015, due to less projects ready-to-launch. Management has placed WHARF's Communications, Media & Entertainment segment (9% of group sales, 1% of group operating income) on strategic review. WHARF's credit profile has improved due to net borrowings decreasing by HKD12bn to HKD47bn. This brought net gearing lower from 20% (end-2014) to 15% (end-2015). For the year, WHARF generated HKD24.1bn in operating cash flow, and spent HKD22.2bn in capex. Anticipated capital expenditure remains high at HKD47.8bn, of which HKD25.3bn are committed. Interest coverage improved from 6.1x to 7.6x, largely due to lower financing expense from lower borrowings. Expected spending, coupled with weaker revaluation gains going forward, would likely limit any near-term improvements to WHARF's credit profile. We currently have WHARF's Issuer Profile at Neutral (Company, OCBC)

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