

Feb 11, 2016

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter-end rates trading 4bps-6bps lower while the longer-end rates traded 8bps-10bps lower. IG credits were unchanged with the iTraxx Asia ex-Japan IG index at 165bps. The 10y UST yield fell by 6bps to 1.66% following Chair Yellen's slightly downbeat comments on the US economic outlook.

Rating Changes: Moody's downgraded Toshiba Corp's ratings to "B2" from "Ba2", reflecting Moody's deepening concern over the sustainability of Toshiba's near-term liquidity situation and its ability to maintain positive internal cash flow following its own successive downward earnings revision. The ratings remain under review for downgrade. Moody's upgraded Mitsubishi UFJ Financial Group, Inc. ("MUFG") issuer rating to "A1" from "A2", representing Moody's preliminary credit opinions in advance of the final sale of securities by MUFG. Outlook is stable.

Table 1: Key Financial Indicators

	<u>11-Feb</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>		<u>11-Feb</u>	<u>1W chg</u>	<u>1M chg</u>
iTraxx Asiax IG	165	6	21	Brent Crude Spot (\$/bbl)	30.58	-11.26%	-3.07%
iTraxx SovX APAC	83	4	7	Gold Spot (\$/oz)	1,207.85	4.52%	10.39%
iTraxx Japan	97	10	15	CRB	156.40	-4.74%	-4.77%
iTraxx Australia	165	15	29	GSCI	282.29	-4.41%	-1.85%
CDX NA IG	121	12	23	VIX	26.29	21.43%	8.19%
CDX NA HY	97	-2	-2	CT10 (bp)	1.668%	-21.80	-44.75
iTraxx Eur Main	117	13	32	USD Swap Spread 10Y (bp)	-13	-3	3
iTraxx Eur XO	458	53	107	USD Swap Spread 30Y (bp)	-48	-3	1
iTraxx Eur Snr Fin	128	20	48	TED Spread (bp)	31	2	-12
iTraxx Sovx WE	30	4	12	US Libor-OIS Spread (bp)	24	1	1
iTraxx Sovx CEEMEA	195	1	-4	Euro Libor-OIS Spread (bp)	14	0	2
					<u>11-Feb</u>	<u>1W chg</u>	<u>1M chg</u>
				AUD/USD	0.713	-1.01%	1.90%
				USD/CHF	0.971	2.34%	3.18%
				EUR/USD	1.132	0.96%	4.22%
				USD/SGD	1.387	0.76%	3.44%
Korea 5Y CDS	74	7	10	DJIA	15,915	-2.58%	-2.95%
China 5Y CDS	143	4	24	SPX	1,852	-3.17%	-3.73%
Malaysia 5Y CDS	192	7	-12	MSCI Asiax	456	0.00%	-0.47%
Philippines 5Y CDS	134	4	15	HSI	19,288	-1.57%	-5.70%
Indonesia 5Y CDS	255	12	8	STI	2,557	-0.87%	-5.61%
Thailand 5Y CDS	168	5	18	KLCI	1,644	-0.53%	0.41%
				JCI	4,732	3.16%	5.98%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Ratings</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
2-Feb-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD400mn	5-year	CT5+87.5bp
2-Feb-16	Westpac Banking Corp.	AA-Aa2/NR	CNH130mn	4-year	5.40%
1-Feb-16	HNA Group	NR/NR/NR	USD35mn	2-year	8.125%
29-Jan-16	Vista Land & Lifescapes Inc.	NR/NR/NR	USD125mn	6-year	7.375%
29-Jan-16	Kookmin Bank	A/A1/A	USD500mn	5-year	MS+95bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	USD1bn	4-year	CT4+85bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	EUR1bn	2-year	MS+75bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD750mn	3-year	CT3+115bps

Source: OCBC, Bloomberg

Credit Headlines:

Future Land Development Holdings (“Future Land”) released a statement saying that Chairman Wang Zhenhua has returned to work and continues to perform his duties as co.’s executive director and chairman. While he was under investigation, the company managed to redeem its USD200mn FUTLAN 10.25% ’18s using the proceeds from the USD250mn FUTLAN 6.25% ’17s raised late last year. The FUTLAN curve has recovered from the lows plumbed immediately post the announcement of the probe (FUTLAN 10.25% ’19s now back at ~104). Meanwhile, China Jinmao Holdings Group Ltd (China Jinmao, BBB-/Baa3/BBB-) released a statement saying that chairman Cai Xinyou is under investigation for “serious disciplinary violations”, or graft. Cai is also the president of Sinochem Group, a state-owned conglomerate which owns 54% of China Jinmao. The statement also clarified that the probe is not related to the company or its subsidiaries and that the company’s business and operations are not affected. While the 2 recent investigations into chairmen of china developers are a reminder of idiosyncratic political risk in these names, we feel that as long as the investigations focus on the individuals involved and not the business, the situation will play out in a similar manner as Agile and Future Land where the bonds can recover after an initial down leg. (Bloomberg, OCBC)

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