

Mar 11, 2016

Market Commentary: The SGD swap curve bull-steepened yesterday, with the short-end rates trading 3bps-7pbs lower while the very long-end of the curve traded 19bps higher. In the broader dollar space, JACI IG corporates spread was level at 240bps, while the yield on the JACI HY corporates fell by 6bps to 7.96%. 10y UST yield increased by 6bps to 1.9323%.

New Issues: BOCOM has scheduled for investor meetings today for a potential USD bond issue. The notes will be issued by Azure Orbit III International Finance Ltd, but guaranteed by BOCOM's Macau Branch. The issue is expected to be rated "NR/A2/A-". Perennial Real Estate Holdings Ltd ("PREH") priced a SGD125mn 3-year bond at 4.9%, tightening from an initial guidance of 5%. The issue is not rated. OCBC Bank priced a senior unsecured AUD300mn 4-year bond at MS+120bps, tightening from an initial guidance of MS+123bps. AusNet Services priced a USD375mn 60NC5.5 bond at 5.75%, tightening from an initial guidance of 5.875%. The structure of the bond is similar to the recent issue in SGD, and has an expected rating of "BBB/Baa2/NR"

Rating Changes: S&P downgraded Parkson Retail Group, a China-based department store operator, to "B" from "BB-". S&P expects Parkson's financial leverage to remain high after a significant increase due to weak operating cash flow generation, and does not expect an improvement in the next 12 months. Outlook is negative.

Table 1: Key Financial Indicators

	11-Mar	1W chg (bps)	1M chg (bps)		11-Mar	1W chg	1M chg
iTraxx Asiax IG	145	-1	-37	Brent Crude Spot (\$/bbl)	40.33	4.16%	34.17%
iTraxx SovX APAC	68	0	-19	Gold Spot (\$/oz)	1,280.89	1.74%	4.61%
iTraxx Japan	85	-3	-15	CRB	171.89	4.15%	10.89%
iTraxx Australia	139	-3	-32	GSCI	327.40	6.59%	16.22%
CDX NA IG	91	-4	-34	VIX	18.05	8.08%	-35.86%
CDX NA HY	102	0	5	CT10 (bp)	1.929%	5.47	26.97
iTraxx Eur Main	84	-8	-42	USD Swap Spread 10Y (bp)	-17	-2	1
iTraxx Eur XO	356	-17	-130	USD Swap Spread 30Y (bp)	-51	1	3
iTraxx Eur Snr Fin	90	-10	-50	TED Spread (bp)	32	-4	1
iTraxx Sovx WE	30	-2	-6	US Libor-OIS Spread (bp)	24	1	-1
iTraxx Sovx CEEMEA	175	-4	-27	Euro Libor-OIS Spread (bp)	12	-3	-3
					11-Mar	1W chg	1M chg
				AUD/USD	0.747	0.46%	6.14%
				USD/CHF	0.983	0.98%	-1.33%
				EUR/USD	1.120	1.79%	-0.98%
				USD/SGD	1.378	-0.24%	0.87%
Korea 5Y CDS	62	2	-21	DJIA	16,995	0.30%	8.52%
China 5Y CDS	126	-3	-26	SPX	1,990	-0.19%	8.77%
Malaysia 5Y CDS	162	-3	-50	MSCI Asiax	482	-0.47%	8.36%
Philippines 5Y CDS	108	-3	-35	HSI	19,984	-0.95%	7.76%
Indonesia 5Y CDS	201	-10	-69	STI	2,809	-0.99%	10.66%
Thailand 5Y CDS	138	3	-37	KLCI	1,689	-0.22%	2.73%
				JCI	4,793	-0.89%	0.36%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
11-Mar-16	Perennial Real Estate Holdings Ltd	NR/NR/NR	SGD125mn	3-year	4.9%
11-Mar-16	AusNet Services	BBB/Baa2/NR	USD375mn	60NC5.5	5.75%
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

Source: OCBC, Bloomberg

Credit Headlines:

Citic Envirotech Ltd ("CEL"): CEL was awarded a RMB198mn (~SGD42m) project from the local government of Gaoyang County, Hebei Province to upgrade a 200,000 m³/day wastewater treatment plant. Upon completion of the project (targeted by December 2016), CEL is expected to revise the water tariff for the plant upwards. Funding for the project will be from the company's earlier issued USD175m perpetual securities. We are currently reviewing the issuer profile of CEL. (Company, OCBC)

Wheelock & Co Ltd ("Wheelock"): Wheelock reported its 2015 results with group core profit (excluding revaluation gains and exceptional items) up 31% to HKD10.6bn. The main driver of growth continues to be Wheelock's Hong Kong property development with strong revenue recognition from One Bay East (Grade-A office development) and The Parkside (residential) translating to an 83% increase in Wheelock's stand-alone core net profit. Property development in China was also a solid contributor to overall operating profit. Property investment performance continues to be sound although revenue and operating profit growth has slowed reflecting somewhat tougher operating conditions with operating profit at The Wharf (Holdings) Ltd and Wheelock Properties (Singapore) Ltd up 12% and 6% respectively. Consolidated profit for FY2015 was down 44% to HKD21.8bn (FY2014: HKD39.0bn) primarily due to the sharp fall in revaluation gains from its investment properties (2014: HKD28.1bn, 2015: HKD7.4bn). Net gearing has consequently reduced to around 23% in FY2015 from 28% as at end FY2014 due to strong operating cash flow generation of HKD32.7bn and capex of HKD11.3bn while liquidity remained strong with HKD27.3bn in bank deposits and cash and HKD47bn in undrawn facilities to meet HKD10.5bn in short term debt. We remain Overweight and prefer WHEELK 21s over WHARF 21s for the yield pickup, while also considering Wheelock's less leveraged stand-alone credit profile and the non-recourse nature of The Wharf (Holdings) Ltd's and Wheelock Properties (Singapore) Ltd's debt. (Company, OCBC)

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

Nicholas Koh Jun Ming

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
NicholasKoh@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.