

Feb 12, 2016

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter-end rates trading 8bps-10bps lower while the longer-end rates traded 12bps-14bps lower. 10y UST yield was level at 1.66%. Elsewhere, Lippo Karawaci received offers totaling USD100.53mn (40.21%) for the bond exchange, which did not meet the minimum new issue condition and as such, the company will not be accepting any offers in this bond exchange. Meanwhile, consent solicitation for their 2019 notes, USD403mn 6.125%'20s and USD150mn 7%'22s is expected to settle on 16 February 2016. Itraxx Asia ex-Japan IG index widened ~10bps to 182 this morning. In the China bank AT1 space, BCHINA 6.75% '49 (~106 levels yielding 4.15%) was surprisingly stable while other names were down ~4pts in sympathy with the volatility in the subordinated bank capital space in Europe.

Rating Changes: Moody's downgraded Tata Steel Ltd's long term corporate family rating to "Ba3" from "Ba1". This is due to weak-than-expected operating performance in key markets, coupled with Moody's opinion that there will be no respite from downward pressure on international steel prices. Outlook is negative.

Table 1: Key Financial Indicators

	12-Feb	1W chg (bps)	1M chg (bps)		12-Feb	1W chg	1M chg
iTraxx Asiax IG	183	22	32	Brent Crude Spot (\$/bbl)	31.75	-6.78%	2.88%
iTraxx SovX APAC	87	6	10	Gold Spot (\$/oz)	1,239.16	5.60%	13.50%
iTraxx Japan	99	7	17	CRB	155.01	-5.17%	-4.36%
iTraxx Australia	171	18	33	GSCI	281.70	-4.08%	-1.07%
CDX NA IG	125	10	26	VIX	28.14	28.85%	25.23%
CDX NA HY	96	-2	-3	CT10 (bp)	1.669%	-16.64	-43.39
iTraxx Eur Main	126	15	39	USD Swap Spread 10Y (bp)	-16	-7	-1
iTraxx Eur XO	486	63	134	USD Swap Spread 30Y (bp)	-53	-10	-5
iTraxx Eur Snr Fin	139	18	58	TED Spread (bp)	34	1	-10
iTraxx Sovx WE	36	9	18	US Libor-OIS Spread (bp)	25	2	1
iTraxx Sovx CEEMEA	202	6	1	Euro Libor-OIS Spread (bp)	14	-1	2
					12-Feb	1W chg	1M chg
				AUD/USD	0.711	0.59%	1.70%
				USD/CHF	0.973	1.83%	2.87%
				EUR/USD	1.132	1.41%	4.30%
				USD/SGD	1.391	1.27%	3.31%
Korea 5Y CDS	83	13	18	DJIA	15,660	-4.61%	-5.18%
China 5Y CDS	152	12	31	SPX	1,829	-4.51%	-5.65%
Malaysia 5Y CDS	211	26	5	MSCI Asiax	444	-3.04%	-2.67%
Philippines 5Y CDS	143	9	22	HSI	18,279	-6.01%	-7.27%
Indonesia 5Y CDS	270	23	22	STI	2,551	0.01%	-5.23%
Thailand 5Y CDS	174	11	23	KLCI	1,644	0.67%	0.18%
				JCI	4,776	3.91%	5.84%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
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:

Singapore Telecommunications Ltd ("SingTel"): SingTel reported its third quarter results to 31 December 2015 with results by and large impacted by the weaker AUD. Operating revenue was up 1.1% to SGD4.47bn while EBITDA (excl. associates) was slightly weaker at SGD1.22bn for 3QFY2015. In constant currency terms, operating revenue and EBITDA (excl. associates) would have grown 6% and 5% respectively. For 9MFY2015, operating revenue was broadly flat at SGD12.87bn while reported EBITDA (excl. associates) fell 1.7% to SGD3.75bn. We estimate SingTel's annualized net debt to EBITDA weakened slightly to ~1.8x from 1.7x at the end of FY2014 due to higher working capital needs for customer acquisition and retention and ongoing high investment spending which resulted in higher debt levels y/y. That said, SingTel's credit profile remains sound in our view. Its strong market positions in Singapore and Australia should continue to generate solid operating cash flows to meet industry competitive dynamics as well as ongoing capex and dividend payments. SingTel has guided full year capex of SGD3.0bn with most to be spent in Australia for network investment. (Company, OCBC)

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