

July 12, 2016

Market Commentary: The SGD dollar swap curve traded downward yesterday, with the swap rates traded 1-6bps lower across all tenors. Flows in the SGD corporates were heavy with better buying seen in ABNANV 4.75%'26s and FCLSP 4.88%'49s while mixed interests were seen in GEMAU 5.5%'19s, OCBCSP 3.8%'49s, NAB 4.15%'28s and UOBSP 4%'49s. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 223bps while the yield on JACI HY corporates decreased by 5bps to 6.47%. 10y UST yield increased by 7bps to 1.43%.

New Issues: Housing & Development Board (HDB) has priced a SGD700mn 5-year bond at 1.47% with expected issue ratings of "NR/Aaa/NR". Sri Lanka launched a 2-tranche deal yesterday with the USD500mn 5-year bond priced at 5.75%, tightening from its initial guidance of 6.125%. The other tranche of USD1bn 10-year bonds was priced at 6.83%, tightening from its initial guidance of 7.13%. The expected issue ratings are "B+/B1/B+". Shenzhen Expressway Co. Ltd. has priced a USD300mn 5-year bond at CT5+200bps, tightening from its initial guidance of CT5+230bps. The expected ratings for the issue are "NR/Baa2/BBB". Korea Gas Corp. has launched a 2-tranche deal yesterday, with the USD500mn 5-year bond priced at CT5+90bps, tightening from its initial guidance of CT5+110bps. The other tranche of USD400mn 10-year bonds was priced at CT10+90bps, tightening from its initial guidance at CT10+115bps. The expected issue ratings are "A+/Aa2/AA-". Regal Hotels International Holdings Ltd. has scheduled investor road shows from 12 July onwards for a potential USD bond issuance.

Rating Changes: S&P upgraded diversified Japanese REIT (J-REIT) ORIX JREIT Inc.'s (OJR) credit rating to "A" from "A-" with a stable outlook, reflecting OJR's enhanced market position which should stabilize and diversify its earnings. S&P upgraded Pacific Life Re Australia Pty Ltd's credit rating to "AA-" from "A+" with a stable outlook. No further information was furnished in Bloomberg. Moody's downgraded Keppel REIT's credit rating to "Baa3" from "Baa2" with a stable outlook, reflecting Moody's view that Keppel REIT's weakened financial profile will not materially improve over the next 2-3 years as declining rental income support and soft market conditions in Singapore weigh on its rental pricing power and earnings.

Table 1: Key Financial Indicators

	12-Jul	1W chg (bps)	1M chg (bps)		12-Jul	1W chg	1M chg
iTraxx Asiax IG	130	-12	-18	Brent Crude Spot (\$/bbl)	46.24	-3.59%	-8.51%
iTraxx SovX APAC	51	-3	-4	Gold Spot (\$/oz)	1,354.00	-0.18%	5.46%
iTraxx Japan	60	-6	-9	CRB	186.71	-3.89%	-3.20%
iTraxx Australia	120	-5	-10	GSCI	355.91	-5.45%	-6.65%
CDX NA IG	72	-7	-9	VIX	13.54	-8.33%	-20.49%
CDX NA HY	104	1	2	CT10 (bp)	1.439%	6.37	-20.17
iTraxx Eur Main	75	-7	-7	USD Swap Spread 10Y (bp)	-11	-3	2
iTraxx Eur XO	333	-22	-17	USD Swap Spread 30Y (bp)	-42	-1	6
iTraxx Eur Snr Fin	105	-10	-3	TED Spread (bp)	39	-1	-2
iTraxx Sovx WE	32	0	3	US Libor-OIS Spread (bp)	28	0	1
iTraxx Sovx CEEMEA	120	-9	-10	Euro Libor-OIS Spread (bp)	7	1	-1
					<u>12-Jul</u>	<u>1W chg</u>	<u>1M chg</u>
				AUD/USD	0.755	1.19%	2.23%
				USD/CHF	0.985	-0.82%	-2.08%
				EUR/USD	1.106	-0.17%	-2.08%
				USD/SGD	1.351	-0.02%	0.30%
Korea 5Y CDS	50	-5	-13	DJIA	18,227	1.55%	2.02%
China 5Y CDS	115	-7	-14	SPX	2,137	1.63%	1.96%
Malaysia 5Y CDS	139	-15	-29	MSCI Asiax	511	1.17%	1.66%
Philippines 5Y CDS	104	-7	-12	HSI	20,881	0.63%	-0.77%
Indonesia 5Y CDS	170	-14	-31	STI	2,883	0.42%	2.11%
Thailand 5Y CDS	104	-5	-17	KLCI	1,655	0.53%	0.83%
				JCI	5,069	4.82%	4.56%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
11-June-16	Housing & Development Board	"NR/Aaa/NR"	SGD700mn	5-year	1.47%
11-June-16	Sri Lanka	"B+/B1/B+"	USD500mn	5-year	5.75%
11-June-16	Sri Lanka	"B+/B1/B+"	USD1bn	10-year	6.83%
11-June-16	Shenzhen Expressway Co. Ltd.	"NR/Baa2/BBB"	USD300mn	5-year	CT5+200bps
11-June-16	Korea Gas Corp.	"A+/Aa2/AA-"	USD500mn	5-year	CT5+90bps
11-June-16	Korea Gas Corp.	"A+/Aa2/AA-"	USD400mn	10-year	CT10+90bps
8-June-16	Minsheng Leasing Financial Co.	"NR/NR/NR"	USD100mn	5-year	CT5+225bps
8-June-16	Minsheng Leasing Financial Co.	"NR/NR/NR"	USD350mn	3-year	CT3+195bps

Source: OCBC, Bloomberg

Credit Headlines:

Ascendas REIT ("AREIT"): AREIT completed the divestment of Ascendas Z-Link property to Cova Beijing ZPark Investment Ltd. The property which commands a consideration sum of SGD149mn is located in Haidian, Beijing and was purchased by AREIT for SGD62mn in 2011. The transaction is structured as a share sale of the entity holding the property with an assignment of AREIT's shareholder loan to the buyer. (Company)

China Vanke ("VANKE"): VANKE has announced that it will be joining hands with partners to buy commercial properties from Blackstone for ~USD1.9bn (VANKE is proposing to contribute USD580m to the joint venture). The company added that the transaction will not result in the issuance of securities of VANKE. As at 31 March 2016, the company has total assets of ~USD98.5bn and cash balances of ~USD7.5bn. While the transaction is small as a percentage of VANKE's total assets, we expect VANKE to fund this via (1) raising new debt (2) using its existing cash balance or (3) a combination thereof. We expect the net gearing ratio to rise to ~30% (27% as a 31 March 2016). (Company, OCBC)

Neptune Orient Lines ("NOL"): It was announced that NOL, as it will be wholly-owned by CMA CGM post the merger and delisted from the SGX, has sought for and received a waiver to provide quarterly financial results going forward. This includes the 2Q2016 results. We will continue to cover NOL via the parent company, CMA CGM, despite no formal guarantees announced on NOL's existing SGD bonds. (Company, OCBC)

Keppel REIT ("KREIT"): Although KREIT's credit rating has been downgraded from Baa2 / stable outlook to Baa3 / stable outlook, we continue to believe that KREIT would maintain its aggregate leverage between 35% - 40% (last reported to be 39.0%), at levels comparable with its peers in the commercial REITs space and will retain the issuer profile at Neutral for now, given that 2Q2016 results are expected soon. As a result of the credit downgrade by Moody's, KREIT's long term rating of Baa3 / stable is now comparable with Ascott Residential Trust ("ART")'s long term rating of Baa3. As such, the KREIT'49c20s are trading closer to fair value relative to the ARTSP'49c20s, though we expect the current 20bps tighter spread on KREIT'49c20s to be sustained given KREIT's less cyclical office portfolio versus ART's hospitality portfolio. (Moody's, 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

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

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