

Feb 15, 2016

Market Commentary: The SGD swap curve bear-steepened last Friday, with the shorter-end rates trading 8bps-10bps higher while the longer-end rates trading 12-15bps higher. In the broader dollar space, JACI IG corporates tightened 5bps to 255bps, while the yield on the JACI HY corporates widened 8bps to 8.43%. 10y UST yield increased by 9bps to 1.75%.

Rating Changes: S&P downgraded Baiduri Bank Berhad long term issuer credit rating to “BBB” from “BBB+”, reflecting S&P’s belief that the Brunei government’s ability to support Baiduri Bank has weakened. This is due to Brunei’s high dependence on oil and gas, coupled with lower energy prices, which contributed to the sharp increase in Brunei’s fiscal deficit in 2015. Outlook is stable. Fitch upgraded Panasonic Corp to “BBB” from “BBB-“, reflecting Fitch’s expectations of better credit profile due to improved margins and reduced debt. Panasonic’s strength in its core product and low exposure to the volatile consumer electronics businesses, lower gross leverage and net cash position have made it more resilient to deteriorating macro conditions. Outlook is stable.

Table 1: Key Financial Indicators

	15-Feb	1W chg (bps)	1M chg (bps)		15-Feb	1W chg	1M chg
iTraxx Asiax IG	177	11	15	Brent Crude Spot (\$/bbl)	32.81	-0.21%	13.37%
iTraxx Sovx APAC	83	-1	1	Gold Spot (\$/oz)	1,233.75	4.91%	13.30%
iTraxx Japan	107	12	24	CRB	160.36	-0.97%	0.27%
iTraxx Australia	172	8	23	GSCI	294.98	1.15%	5.66%
CDX NA IG	122	1	12	VIX	25.4	8.64%	-6.00%
CDX NA HY	97	0	-1	CT10 (bp)	1.748%	-0.02	-28.66
iTraxx Eur Main	118	-3	22	USD Swap Spread 10Y (bp)	-15	-7	0
iTraxx Eur XO	462	3	78	USD Swap Spread 30Y (bp)	-52	-10	-4
iTraxx Eur Snr Fin	127	-9	40	TED Spread (bp)	34	1	-8
iTraxx Sovx WE	34	6	16	US Libor-OIS Spread (bp)	25	0	0
iTraxx Sovx CEEMEA	194	-7	-25	Euro Libor-OIS Spread (bp)	13	-2	2
					15-Feb	1W chg	1M chg
				AUD/USD	0.712	0.37%	3.66%
				USD/CHF	0.978	1.40%	2.33%
				EUR/USD	1.122	0.56%	2.82%
				USD/SGD	1.397	0.69%	3.04%
Korea 5Y CDS	79	6	5	DJIA	15,974	-1.43%	-0.09%
China 5Y CDS	144	-1	14	SPX	1,865	-0.81%	-0.83%
Malaysia 5Y CDS	194	-3	-28	MSCI Asiax	441	-3.49%	-2.02%
Philippines 5Y CDS	135	-1	3	HSI	18,320	-5.80%	-6.15%
Indonesia 5Y CDS	253	-1	-12	STI	2,540	-0.42%	-3.45%
Thailand 5Y CDS	167	-4	2	KLCI	1,644	0.64%	0.93%
				JCI	4,714	1.04%	4.21%

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:

City Developments Ltd's ("CDL") 65%-owned subsidiary Millenium & Copthorne Hotels PLC (M&C) announced that the company expects to report a net charge of GBP43mn against pre-tax profits for the year ended December 2015. The net charge is due to GBP76mn in impairment losses for 4 of M&C's properties located in New York, Rest of Europe and Rest of Asia due to poor operating performance. This was partly offset by net revaluation gains of GBP33mn on M&C's investment properties. The impact of the net impairment charge on CDL's PATMI is expected to be SGD48mn. In our opinion, this is manageable (~6%) in relation to CDL's LTM PATMI of SGD748mn and relatively insignificant against the company's equity base of SGD10.8bn (0.4%). If the impairment charges were taken against LTM numbers, net gearing will increase from 29.5% to 29.6%. We also think that the impairment charges are very asset-specific and not due to a broader slowdown in any particular segment of M&C's geographical segments. We maintain our Neutral rating across the CDL curve. (Company, OCBC)

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