

June 16, 2016

Market Commentary: The SGD swap rates traded upward yesterday, trading 3-8bps higher across all tenors. Flows in the SGD corporates were heavy with better buying in SOCGEN 4.3%'26s, STANLN 4.4%'26s, and better selling in MFCCN3.85%'26s. Meanwhile, we also saw mixed interest in NAB 4.15%'28s and GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG Corporates decreased by 1bps to 230bps, while the yield on JACI HY Corporates increased by 2bps to 7.03%. 10y UST yield decreased by 4bps to 1.57% following dovish comments from the Federal Open Market Committee (FOMC) that showed the FOMC was cautious and seemed concerned about overseas events and labour market improvement, and that inflation remains low.

News Issues: Biostime International Holdings Ltd. priced a USD400mn 5NC2 bond at 7.25%, tightening from its initial guidance of 7.5%. The expected ratings are "BB-/Ba3/NR". QBE Insurance Group Ltd. priced a USD524mn 30NC10 tier 2 bond at 5.88%, tightening from its initial guidance of 6%. The expected ratings are "BBB-/NR/BBB".

Rating Changes: S&P downgraded its credit rating on Noble Group to "B+" from "BB-" reflecting its weakened liquidity position and higher funding costs despite recent efforts to raise cash. The outlook is negative. S&P downgraded its corporate credit rating on Barmenco Holding Pty Ltd. to "SD" from "B-" and its senior unsecured notes rating to "D" from "B-". The rating actions follow Barmenco's repurchase of outstanding notes at less than par value. S&P viewed the totality of the repurchased notes over time as being akin to a de-facto restructuring, and accordingly, a default under S&P criteria. S&P affirmed its credit rating of "BBB-" on Kerry Properties Ltd. (Kerry) with negative outlook and subsequently withdrew its ratings on the company. The rating prior to withdrawal reflects S&P's view that the company's financial leverage will remain high in 2016 and 2017 due to Kerry's aggressive expansion appetite and uneven property sales recognition that could offset the impact of the smooth expansion of its investment property portfolio.

Table 1: Key Financial Indicators

| | 16-Jun | 1W chg (bps) | 1M chg (bps) | | 16-Jun | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG | 147 | 5 | 3 | Brent Crude Spot (\$/bbl) | 48.97 | -6.74% | 2.38% |
| iTraxx SovX APAC | 54 | 2 | 1 | Gold Spot (\$/oz) | 1,293.85 | 1.89% | 1.55% |
| iTraxx Japan | 69 | 2 | -4 | CRB | 191.74 | -2.08% | 5.04% |
| iTraxx Australia | 131 | 6 | -2 | GSCI | 376.17 | -3.50% | 4.00% |
| CDX NA IG | 85 | 9 | 4 | VIX | 20.14 | 43.04% | 33.91% |
| CDX NA HY | 102 | -1 | 0 | CT10 (bp) | 1.572% | -13.02 | -12.81 |
| iTraxx Eur Main | 87 | 12 | 9 | USD Swap Spread 10Y (bp) | -13 | 0 | 1 |
| iTraxx Eur XO | 372 | 51 | 44 | USD Swap Spread 30Y (bp) | -48 | -1 | 0 |
| iTraxx Eur Snr Fin | 115 | 18 | 16 | TED Spread (bp) | 40 | -2 | 4 |
| iTraxx Sovx WE | 29 | 3 | 3 | US Libor-OIS Spread (bp) | 28 | 2 | 4 |
| iTraxx Sovx CEEMEA | 134 | 10 | 0 | Euro Libor-OIS Spread (bp) | 9 | 0 | 0 |
| | | | | | | | |
| | | | | | 16-Jun | 1W chg | 1M chg |
| | | | | AUD/USD | 0.742 | -0.19% | 1.76% |
| | | | | USD/CHF | 0.961 | 0.40% | 1.75% |
| | | | | EUR/USD | 1.126 | -0.48% | -0.52% |
| | | | | USD/SGD | 1.351 | 0.13% | 1.36% |
| | | | | | | | |
| Korea 5Y CDS | 63 | 3 | -1 | DJIA | 17,640 | -2.03% | -0.40% |
| China 5Y CDS | 129 | 5 | 2 | SPX | 2,072 | -2.25% | 0.23% |
| Malaysia 5Y CDS | 168 | 9 | 13 | MSCI Asiax | 493 | -2.90% | 3.02% |
| Philippines 5Y CDS | 117 | 6 | 5 | HSI | 20,468 | -4.04% | 2.93% |
| Indonesia 5Y CDS | 200 | 9 | 14 | STI | 2,774 | -3.08% | 1.40% |
| Thailand 5Y CDS | 122 | 3 | -1 | KLCI | 1,628 | -1.80% | 0.42% |
| | | | | JCI | 4,815 | -2.06% | 1.76% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|------------|---------------------------------------|--------------|----------|---------|------------|
| 13-June-16 | Biostime International Holdings Ltd. | BB-/Ba3/NR | USD400mn | 5NC2 | 7.25% |
| 10-June-16 | QBE Insurance Group Ltd. | BBB-/NR/BBB | USD524mn | 30NC10 | 5.88% |
| 13-June-16 | Fraser Centrepont Trust | NR/BBB+/NR | SGD50mn | 5-year | 2.76% |
| 10-June-16 | Hua Han Health Industry Holdings Ltd. | BB-/Ba3/BB- | USD150mn | 3-year | 7% |
| 8-June-16 | Samvardhana Motherson Automotive | BB+/NR/NR | USD300mn | 5NC3 | 4.875% |
| 8-June-16 | Sultanate of Oman | BBB-/Baa1/NR | USD1bn | 7-year | MS+245bps |
| 8-June-16 | Sultanate of Oman | BBB-/Baa1/NR | USD1.5bn | 12-year | MS+320bps |
| 7-June-16 | ICBC Dubai | A/A1/NR | USD400mn | 5-year | CT5+140bps |

Source: OCBC, Bloomberg

Rating Changes (Cont.):

Fitch downgraded its long term default credit rating on Greenland Holding Group Co. Ltd. (Greenland) to “BB+” from “BBB-” and Greenland’s senior unsecured bond rating to “BB+” from “BBB-“. The downgrade reflects Greenland’s persistently high leverage, which will limit its flexibility to face potential headwinds in the domestic property or credit markets. The outlook is negative. Fitch placed Microsoft Corp.’s “AA+” credit rating on Negative Watch following the announcement that the company will buy LinkedIn Corp. (LinkedIn) for USD26.2bn. The Negative Rating Watch reflects Fitch’s expectation for structurally higher leverage, given Microsoft’s intention to fund the LinkedIn acquisition primarily with new debt.

Credit Headlines:

Private new home sales data for May released by the URA showed a strong pickup in transaction volumes pointing to a stabilizing market even without the lifting of cooling measures. 1,056 units excluding ECs were sold last month, up 41% from 748 units in April and 64% higher than 643 units in May 2015. Gem Residences (312 units) in Toa Payoh was the top selling project and made up the bulk of the sales. The URA data does not include the impact of strong sales at projects such as OUE Twin Peaks which have obtained certificates of statutory completions and are included in resale data instead. OUE Twin Peaks has sold 140 units since launching sales incentives and deferred payment schemes and has just 12 out of 231 units left in Tower 2 (Tower 1 is fully unsold with OUE evaluating options on the tower). We expect a correspondingly strong pickup in OUE’s 2Q2016 numbers due to 1) revenue recognition of 140 units versus 1 unit in 2Q2015, and 2) boost in rental revenue from investment properties after the consolidation of One Raffles Place late last year and 3) possible recognition of the SGD205mn sale of Crowne Plaza Changi Airport Extension (could be pushed to 3Q2016). We maintain our Overweight recommendations on the OUESP 4.95% ’17s and OUESP 4.25% ’19s. (URA, Business Times, OCBC)

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