

July 19, 2016

**Market Commentary:** The SGD dollar swap curve traded slightly upward with swap rates traded 1-2bps higher across all tenors. Flows in the SGD were heavy with better buying seen in STANLN 4.4%’26s and BPCEGP 4.5%’26s. Better selling were seen in FCLSP 4.88%’49s and GEMAU 5.5%’19s while mixed interest were seen in MFCCN 3.85%’26s, OLAMSP’22s and GENSSP 5.13%’49s. In the broader dollar space, the spread on JACI IG corporates remains relatively unchanged at 217bps while the yield on JACI HY corporates increased by 1bps to 6.47%. 10y UST yield increased by 3bps to 1.59%.

**New Issues:** Toyota Motor Credit Corp. has launched a AUD 5-year bond with initial price guidance of ASW+100bps with expected issue ratings of “AA-/Aa3/NR”. The bond is to be priced later today. Busan Bank has set its final guidance on USD250mn 10-year tier 2 bond at CT10+210-215bps, tightening from its initial guidance of CT10+240bps. The expected issue ratings are “BBB+/A2/BBB+”.

**Rating Changes:** Moody’s has placed Turkey’s “Baa3” ratings on review for downgrade given broader political challenges and elevated credit risks associated with the failed coup. S&P affirmed Beijing Enterprises Holdings Ltd.’s (BEH) “BBB+” issuer rating with negative outlook. The affirmation reflects S&P’s expectation that the company’s parent Beijing Enterprises Group Co. Ltd. (BEG) is likely to maintain its credit profile over the next two years. S&P continues to view BEH as a core subsidiary of BEG. The rating on BEG is therefore the same as the assessment of BEG’s group credit profile. Additionally, BEH is likely to receive extraordinary support from the Chinese government indirectly through its parent, if needed. S&P revised its outlook on Australian National University (ANU) to negative from stable. The negative outlook on ANU follows the revision of S&P’s outlook revision on Australia’s long-term rating to negative from stable. At the same time, S&P revised its outlook on University of Wollongong to negative from stable, citing the same reason. Fitch has assigned Chongqing Nan’an Urban Construction & Development (Group) Co. Ltd.’s 3-year USD300mn 2.88% note with a “BBB+” rating. The rating reflects Chongqing’s strong credit worthiness and municipality which Fitch believes it is likely to receive extraordinary support from the municipal government, if needed.

**Table 1: Key Financial Indicators**

	19-Jul	1W chg (bps)	1M chg (bps)		19-Jul	1W chg	1M chg
iTraxx Asiax IG	119	-6	-23	Brent Crude Spot (\$/bbl)	46.96	1.54%	-4.49%
iTraxx Sovx APAC	47	-1	-5	Gold Spot (\$/oz)	1,328.70	-0.33%	3.01%
iTraxx Japan	53	-2	-15	CRB	188.19	0.80%	-2.17%
iTraxx Australia	110	-5	-18	GSCI	358.43	0.71%	-4.89%
CDX NA IG	71	0	-9	VIX	12.44	-8.12%	-35.91%
CDX NA HY	105	0	2	CT10 (bp)	1.582%	15.15	-2.60
iTraxx Eur Main	71	0	-7	USD Swap Spread 10Y (bp)	-14	-2	-2
iTraxx Eur XO	327	6	-14	USD Swap Spread 30Y (bp)	-46	-3	2
iTraxx Eur Snr Fin	96	-2	-7	TED Spread (bp)	40	1	1
iTraxx Sovx WE	26	-4	-2	US Libor-OIS Spread (bp)	29	1	2
iTraxx Sovx CEEMEA	123	5	-5	Euro Libor-OIS Spread (bp)	6	-1	-3
					19-Jul	1W chg	1M chg
				AUD/USD	0.757	-0.70%	1.52%
				USD/CHF	0.983	0.61%	-2.13%
				EUR/USD	1.107	0.06%	-2.17%
				USD/SGD	1.349	-0.20%	-0.44%
Korea 5Y CDS	48	1	-11	DJIA	18,533	1.68%	4.85%
China 5Y CDS	110	-1	-13	SPX	2,167	1.39%	4.62%
Malaysia 5Y CDS	128	-4	-31	MSCI Asiax	525	1.92%	7.15%
Philippines 5Y CDS	98	-4	-14	HSI	21,803	4.42%	8.10%
Indonesia 5Y CDS	160	-5	-31	STI	2,929	1.83%	5.98%
Thailand 5Y CDS	93	-9	-22	KLCI	1,671	1.03%	2.87%
				JCI	5,128	1.15%	6.05%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
14-July-16	ICBC Ltd.	“NR/A2/A”	USD1bn	Perp-NC5	4.25%
14-July-16	Link REIT	“A/A2/NR”	USD500mn	10-year	CT10+145bps
13-July-16	Zurich Insurance Co.	“AA-/Aa3/NR”	USD1bn	Perp-NC5	4.75%
13-July-16	Dai-ichi Life	“A-/NR/A-”	USD2.5bn	Perp-NC10	4%
13-July-16	Regal Hotels International Holdings	“NR/NR/NR”	USD350mn	5-year	3.88%
13-July-16	Olam International Ltd.	“NR/NR/NR”	USD500mn	Perp-NC5	5.35%
12-July-16	SMBC Aviation	“BBB+/NR/BBB+”	AUD500mn	3-year	Swap+117bps
12-July-16	SMBC Aviation	“BBB+/NR/BBB+”	USD500mn	5-year	CT5+160bps

Source: OCBC, Bloomberg

## Credit Headlines:

Bank of East Asia Ltd ("BEA"): Elliot Management Corporation has commenced legal proceedings against the directors of BEA alleging unfair prejudicial conduct by the bank and its directors. The action relates to the issue of new shares to Japan's Sumitomo Mitsui Banking Corp (SMBC) in early 2015, which Elliot believes was a negative for independent shareholders ability to influence the bank's strategy and not in the best interests of all shareholders. The unfair prejudice petition also seeks redress against certain documented undertakings between BEA and SMBC and a Strategic Investment Agreement between BEA and Spain's Caixabank. SMBC currently owns 19.0% of BEA, with Caixabank and Malaysia's Guoco Management Co Ltd owning 17.3% and 13.8% respectively. Elliot is the next largest shareholder with 6.9%. The first hearing of the petition will be on Sept 21<sup>st</sup>, 2016. At this stage, these developments do not impact our neutral issuer profile of BEA. (Bloomberg, Company, OCBC)

Wheelock & Co Ltd ("Wheelock"): Wheelock sold One Harbour Gate East office tower in Hung Hom, Hong Kong to Shenzhen-based Cheung Kei Group for HKD4.5bn (~SGD783mn). One Harbour Gate East is a 15-storey office tower with 254,000 sq ft of office space and a retail area of 26,000 sq ft (price per sq ft of HKD16,071). In November 2015, One Harbour Gate West was sold to China Life Insurance for HKD14,900 per sq ft. On a per sq ft basis, the transaction price for East tower represents a 7.8% increase against West tower. (The Standard HK, Company, OCBC)

Wing Tai Properties ("Wingtai"): Wing Tai has announced the sale of Property Sky Limited ("Property Sky") to Jingrui Holdings Limited ("Jingrui"). Property Sky is an investment holding company (owned jointly by Wingtai and Nan Fung Investment China Holdings Limited on a 50:50 basis). Property Sky in turns owns Upper Riverside, a serviced-apartment project located in Pudong, Shanghai. The transaction is structured as a combination of outright acquisition of the equity interest in Property Sky and the assumption by Jingrui of shareholder loans and other loans owed by Property Sky. Purchase consideration for the transaction amounts to HKD1.02bn (~SGD178mn), subject to adjustments. Jingrui (market cap: SGD664mn) is a China-based property developer who's 2013 Hong Kong IPO was backed by RRJ Capital. (Company, OCBC)

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