

June 2, 2016

Market Commentary: SGD swap rates traded 1 – 2 bps higher across all tenors yesterday. Flows in the SGD corporates were heavy with better buying in SOCGEN 4.3%'26s, BPCEGP 4.5%'26s, OLAMSP 4.25%'19s, GENSSP 5.13%'49s and OLAMSP 5.8%'19s. Meanwhile we also saw mixed interests in GEMAU 5.5%'19s, UOBSP 4%'49s and BNP 4.3%'25s. In the broader dollar space, the spread on JACI IG corporates increased by 2bps to 221bps, while the yield on JACI HY corporates decreased by 1bps to 7.11%. 10y UST yield decreased by 1bps to 1.84%.

New Issues: Tianjin Infrastructure Construction & Investment Group Co. Ltd. has scheduled an investor meetings in Hong Kong, Singapore and London from 2 June, 2016 onwards for potential USD Bond issue. The expected ratings are "A-/NR/A".

Rating Changes: Moody's revised its outlook on DIC Corporation (Chemical product manufacturer) credit rating of "Baa3" to positive from stable. The revision reflects the meaningful progress DIC has made in reducing its financial leverage over the last few years, while maintaining adequate cash flow and profitability. Moody's affirmed its credit ratings of Sinochem Hong Kong Company Limited of "A3" credit rating. This concludes the review for downgrade initiated on 29 February 2016. The rating confirmation reflects Moody's expectation that Sinochem Hong Kong's credit metrics will improve, driven by increased contributions from its property operations and the support from the Chinese government. The outlook is negative. At the same time, Moody's also affirmed its credit rating on Sinochem Hong Kong's subsidiaries, Sinochem Global Capital Co. Ltd of "Baa2" credit rating and Sinochem Overseas capital Co. Ltd "A3" credit rating. The outlook is negative. Fitch assigned a "A" credit rating with stable outlook on Tianjin Infrastructure Construction & Investment Group Co. Ltd. The rating reflects Tianjin's strong creditworthiness, strategic importance of being the largest urban developer in China and on-going government fiscal support.

Table 1: Key Financial Indicators

	2-Jun	1W chg (bps)	1M chg (bps)		2-Jun	1W chg	1M chg
iTraxx Asiax IG	142	0	-1	Brent Crude Spot (\$/bbl)	49.72	-0.04%	3.30%
iTraxx SovX APAC	53	0	-1	Gold Spot (\$/oz)	1,212.99	-0.56%	-6.08%
iTraxx Japan	66	0	-8	CRB	186.82	1.90%	2.35%
iTraxx Australia	129	2	-4	GSCI	371.67	1.52%	4.66%
CDX NA IG	77	0	-1	VIX	14.2	-1.53%	-3.27%
CDX NA HY	103	0	0	CT10 (bp)	1.835%	-3.10	0.21
iTraxx Eur Main	74	3	1	USD Swap Spread 10Y (bp)	-14	1	-2
iTraxx Eur XO	315	10	3	USD Swap Spread 30Y (bp)	-48	1	-1
iTraxx Eur Snr Fin	93	4	3	TED Spread (bp)	39	5	-4
iTraxx Sovx WE	25	-1	0	US Libor-OIS Spread (bp)	23	1	-2
iTraxx Sovx CEEMEA	139	1	12	Euro Libor-OIS Spread (bp)	8	0	-1
					2-Jun	1W chg	1M chg
				AUD/USD	0.725	0.33%	-5.44%
				USD/CHF	0.989	0.06%	-3.47%
				EUR/USD	1.119	-0.08%	-3.03%
				USD/SGD	1.377	-0.27%	-2.67%
Korea 5Y CDS	60	1	-6	DJIA	17,790	0.47%	-0.57%
China 5Y CDS	126	2	-4	SPX	2,099	1.12%	0.86%
Malaysia 5Y CDS	163	3	-4	MSCI Asiax	494	1.27%	-1.53%
Philippines 5Y CDS	113	1	2	HSI	20,761	1.93%	-1.45%
Indonesia 5Y CDS	194	2	3	STI	2,791	0.86%	-1.69%
Thailand 5Y CDS	122	2	-4	KLCI	1,627	-0.27%	-2.76%
				JCI	4,840	1.40%	0.65%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
31-May-16	GSH Corp Ltd	NR/NR/NR	SGD60mn	3-year	5.15%
31-May-16	Starhub Ltd	NR/NR/NR	SGD300mn	10-year	3.55%
31-May-16	Prudential PLC	A+/A2/A+	USD1bn	Perp-nc5	5.25%
26-May-16	China Huarong Asset Management	A-/A3/A	USD700mn	3-year	CT3+177.5bps
26-May-16	China Huarong Asset Management	A-/A3/A	USD900mn	5-year	CT5+200bps
26-May-16	China Huarong Asset Management	A-/A3/A	USD900mn	10-year	CT10+290bps
26-May-16	BPCE SA	BBB/Baa3/A-	SGD130mn	10NC5	4.50%
26-May-16	Midea Group Company Limited	A-/NR/A-	USD700m	3-year	CT3+135bps

Source: OCBC, Bloomberg

Credit Headlines:

Growth in China new home prices accelerated in May despite property tightening measures in the first tier and large second tier cities. Prices were up 1.7% m/m (April: 1.45%) and 10.3% y/y (April: 9%) in May according to data from Soufun/CREIS. Broadly, price growth in first tier cities was flat, accelerated in second tier cities but slowed in third tier cities. This trend is encapsulated in the change in m/m price growth leadership from Shenzhen at the start of the year to second tier cities such as Xiamen, Hefei and Nanjing in May. Going forward, second tier cities are expected to lead nationwide price growth but we think risks to property prices in China will probably be skewed to the downside with local governments expected to step in with tighter policies if they see overheating risks within their cities. That said, positive technicals from shrinking supply and strong onshore bid from Chinese accounts will probably keep offshore China property bonds well-supported. We currently have Overweights in the SGD space in CENCHI 6.50% '17s, VANKE 3.275% '17s and a Neutral on YLLGSP 6.20% '17s. (Real Estate Foresight, South China Morning Post, OCBC)

Financial Institutions: It's been reported that National Australia Bank Ltd (NAB) could be the next bank to be charged by the Australian Securities and Investment Commission ('ASIC') under civil legal proceedings for allegedly manipulating the bank-bill swap rate, Australia's equivalent of LIBOR. This would follow similar actions commenced earlier this year against Westpac Banking Corp. in April and Australia and New Zealand Banking Group Ltd in March. The Australian Financial Review previously reported that civil actions carry a fine of AUD1mn per offense which could result in potential fines for Westpac and ANZ of AUD16mn and AUD44mn respectively. (Bloomberg, AFR, OCBC)

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