

June 20, 2016

**Market Commentary:** SGD swap rates traded 1-6 bps higher across the curve last Friday. Flows in SGD corporates were light with better buying in SOCGEN 4.3%'26s and better selling in GENSSP 5.13%'49s. Meanwhile we also saw mixed interests in MFCCN 3.85%'26s. In the broader dollar space, the spread on JACI IG Corporates decreased by 3bps to 231bps, while the yield on JACI HY Corporates increased by 1bps to 7.03%. 10y UST yield increased by 3bps to 1.61%.

**News Issues:** Astrea III is to price its USD and SGD Bonds by 21 June, 2016. The Class A-1 notes amounts to SGD228mn with initial guidance of 4%-4.25% and expected ratings of "A/NR/A". Class A-2 notes will amount to USD170mn with initial guidance of 4.75%-5% and expected ratings of "NR/NR/A". Class B notes will amount to USD100mn with initial guidance of 6.5%-6.75% and expected rating of "NR/NR/BBB". USD 70mn in Class C notes have an initial guidance of 9.5%-9.75% and are unrated. SGSP Australia priced a AUD350mn 7-year bond at Swap +182bps, tightening from its initial guidance of Swap+185bps. Fullerton Health Corp. Ltd. has scheduled investor meetings on 22 and 23 June in Hong Kong and Singapore for a potential SGD bond issuance. The bond is expected to be rated "AA/NR/NR".

**Rating Changes:** S&P affirmed its "AA-" ratings on United Overseas Bank Ltd (UOB) with a stable outlook. However the stand-alone credit profile was raised to "a" from "a-". As a result, the issue ratings on UOB's Basel-III compliant Tier 2 notes were raised to "BBB+" from "BBB", the ratings on its preference shares were raised to "BBB" from "BBB-" and the ratings on the Basel-III compliant Tier 1 notes were raised to "BBB-" from "BB+". S&P placed Renhe Commercial Holdings Co. Ltd's "CCC-" credit rating on CreditWatch positive. The placement reflects S&P's expectation that Renhe's leverage and liquidity position could substantially improve once the company completes its planned asset disposals and uses the proceeds to repay debt. S&P downgraded its credit rating on Shanghai Pudong Development Bank (SPDB) Co. Ltd. to "BBB" from "BBB+", reflecting expectation that SPDB's capitalization is to remain under pressure over the next 12-24 months. The bank's capital and earnings position weakened following its accelerated credit growth through investment receivables and continued strong issuance of off-balance sheet wealth management products (WMPs) in 2015.

Table 1: Key Financial Indicators

	20-Jun	1W chg (bps)	1M chg (bps)		20-Jun	1W chg	1M chg
iTraxx Asiax IG	147	-1	2	Brent Crude Spot (\$/bbl)	49.40	-1.89%	1.40%
iTraxx Sovx APAC	54	-1	0	Gold Spot (\$/oz)	1,291.60	0.60%	3.16%
iTraxx Japan	70	2	-1	CRB	192.38	-0.27%	4.43%
iTraxx Australia	133	3	1	GSCI	376.85	-1.16%	2.60%
CDX NA IG	83	1	-1	VIX	19.41	13.98%	27.70%
CDX NA HY	102	0	0	CT10 (bp)	1.608%	-3.26	-16.45
iTraxx Eur Main	85	3	6	USD Swap Spread 10Y (bp)	-12	1	2
iTraxx Eur XO	389	39	56	USD Swap Spread 30Y (bp)	-48	0	1
iTraxx Eur Snr Fin	112	4	15	TED Spread (bp)	39	-2	5
iTraxx Sovx WE	30	1	4	US Libor-OIS Spread (bp)	27	1	5
iTraxx Sovx CEEMEA	134	4	-7	Euro Libor-OIS Spread (bp)	9	0	0
					20-Jun	1W chg	1M chg
				AUD/USD	0.741	0.30%	2.59%
				USD/CHF	0.961	0.35%	3.05%
				EUR/USD	1.134	0.38%	0.99%
				USD/SGD	1.348	0.56%	2.53%
Korea 5Y CDS	61	-2	-2	DJIA	17,675	-1.06%	1.00%
China 5Y CDS	127	-2	2	SPX	2,071	-1.19%	0.92%
Malaysia 5Y CDS	166	-2	5	MSCI Asiax	490	-0.46%	2.92%
Philippines 5Y CDS	115	-1	2	HSI	20,170	-4.15%	1.60%
Indonesia 5Y CDS	196	-5	4	STI	2,763	-2.11%	-0.01%
Thailand 5Y CDS	118	-4	-4	KLCI	1,624	-1.04%	-0.28%
				JCI	4,835	-0.27%	2.62%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
17-June-16	SGSP Australia	NR/NR/NR	AUD350mn	7-year	Swap+182bps
16-June-16	Korea Land & Housing Corp.	NR/NR/NR	USD200mn	12-year	2.47%
16-June-16	China Development Bank	AA-/Aa3/NR	USD1bn	3-year	CT3+90bps
16-June-16	Zhongrong International Bond 2016 Ltd.	BB-/NR/NR	USD500mn	3-year	6.95%
13-June-16	Biostime International Holdings Ltd.	BB-/Ba3/NR	USD400mn	5NC2	7.25%
13-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%
13-June-16	ABCL Glory Capital Ltd.	NR/NR/A	USD500mn	5-year	2.5%

Source: OCBC, Bloomberg

## Rating Changes (cont'd):

Moody's affirmed its credit rating on Virgin Australia Holdings Ltd of "B2" with negative outlook. The rating action concludes the review for downgrade initiated on 4 April, 2016 and reflects Moody's expectation that the company's debt/EBITDA and liquidity profile will improve following the proposed equity raising announced on 15 June, 2016. Moody's assigned a credit rating of "Ba3" to Hua Han Health Industry Holdings Ltd.'s USD150mn, 7% 3-year bond. The assignment follows Hua Han's completion of its USD note issuance, the final terms and conditions which are consistent with Moody's expectation. The outlook is stable. Fitch revised its outlook on Bank of Ayudhya Public Co. Ltd. (BAY) and Easy Buy Public Co. Ltd. (EB) to negative from stable. The outlook revision follows similar revision in the outlook of their respective parents in Mitsubishi UFJ Financial Group, Inc., namely the Bank of Tokyo-Mitsubishi UFJ Ltd. on 16 June, 2016., which came after the outlook on the Japanese sovereign was revised to negative from stable on 13 June, 2016. Fitch has placed Australia-based Crown Resorts Ltd. (Crown) credit rating on Rating Watch Negative (RWN) following the announcement of the company to pursue a demerger of certain international investments and adopt a dividend payout ratio (DPR) of 100% of net profit after tax. The RWN reflects Fitch's view that the demerger will result in the removal of material investments that will reduce Crown's cash flow. Combined with higher dividend, Crown's credit metrics will likely weaken, particularly as the company has a significant capex pipeline for its Australian casino assets.

## Credit Headlines:

Ascendas REIT ("AREIT"): On Friday, AREIT announced that it has completed the divestment of Jiashan Logistics Centre in Beijing to Goodman Developments Asia and GCLP Developments No. 3 (BVI) Limited. AREIT is also in the midst of divesting Ascendas Z-Link (located near Shanghai). Post the completion of this transaction, AREIT will only have one property left in China. Though it still sees China as a target market, we view that the REIT will focus its efforts in Singapore and Australia. (Company, OCBC)

China Vanke Ltd. ("Vanke"): Vanke provided updates on its proposed plan to fend off unsolicited interest from Baoneng Group in exchanged for property assets along Shenzhen metro lines. Proposed consideration will be RMB45.6bn which will be fully equity funded by Vanke by way of issuance of 2.9bn in A shares at RMB15.88 to Shenzhen Metro (100%-owned by Shenzhen SASAC), a 35% discount to last traded price of RMB24.43. This will give Shenzhen Metro a 20.65% stake of the enlarged share capital while the Baoneng Group will have its initial 24% stake diluted to 19%. This is probably the most credit positive of outcomes in terms of form of financing for the asset purchase, but that was expected given the need to dilute Baoneng Group's stake in the company. A source of uncertainty for the deal going forward is all 3 of China Resources' (100%-owned by Central SASAC) directors voting against the deal with 7 votes in favor and 3 against (total board seats: 11) after Director Zhang Liping made a written statement to the Board that given that the Blackstone Group, in which he holds a position is in negotiation with Vanke in respect of the sale of a large-scale commercial property project in China, he would abstain from voting. China Resources posted a statement on its WeChat account on Saturday questioning the approval of the proposal, saying support from two-thirds, or eight, of the 11 board members was required for the plan to be passed. This transaction if it goes through will be credit positive as 1) Shenzhen Metro is 100% owned by Shenzhen SASAC, 2) potential scope for further collaborations/asset injections further down the road, and 3) asset purchase seems to be substantially equity funded at this juncture. We have a positive issuer profile on Vanke and an Overweight on the VANKE 3.275% '17s. (Company, South China Morning Post, OCBC)

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Nicholas Koh Jun Ming**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2533  
[NicholasKoh@ocbc.com](mailto:NicholasKoh@ocbc.com)

**Ezien Hoo**

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

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