

July 21, 2016

Market Commentary: The SGD dollar swap curve traded upward considerably yesterday. Swap rates traded 4-9bps higher across all tenors as the US dollar hit the highest level in four months against a basket of currencies on rising expectation that the Federal Reserve would tighten its monetary policy. Investors now see a greater than 50% chance that the Fed will raise interest rates at least once by December meeting. Flows in the SGD corporates were heavy with better buying seen in SSREIT 4.25%'19s, WINGTA 4.25%'22s and ANZ 3.75%'27s. Better selling were seen in STANLN 4.4%'26s and OCBCSP 3.8%'49s while mixed interests were seen in GENSSP 5.13%'49s, FIRTSP 5.68%'49s, UOBSP 4%'49s, ABNANV 4.7%'22s, GALVSP 7%'18s and SOCGEN 4.3%'26s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 217bps while the yield on JACI HY corporates also remained levelled at 6.45%. 10y UST yield increased by 3bps to 1.58%.

New Issues: China Minmetals Corp. has launched a two-tranche deal yesterday, with the USD300mn 5-year bond priced at CT5+205bps, tightening from its initial guidance at CT5+235bps. The other tranche of USD700mn 10-year bond was priced at CT10+265bps, tightening from its initial price guidance at CT10+290bps. The expected issue ratings are "NR/Baa1/BBB+". China Minsheng Investment Corp. Ltd. has scheduled investor meetings from 22 July onwards for potential USD bond issue. Cikarang Listrindo has scheduled investor meeting on 26 August to seek approval in offering USD550mn 10-year bonds for its refinancing due in 2019.

Rating Changes: S&P downgraded Turkey's foreign currency credit rating to "BB" from "BB+" and local currency credit rating to "BB+" from "BBB-" with a negative outlook. The downgrade reflects S&P's view that Turkey's political landscape has fragmented further following the attempted coup on 15 July and will undermine Turkey's investment environment, growth and capital inflows into its externally leveraged economy. S&P affirmed SMRT Corp.'s "AAA" corporate credit rating and revised its outlook to stable from negative. The revision reflects S&P's view that the new framework does not affect the relationship between SMRT and the government of Singapore. Additionally, the implementation of the New Rail Financing Framework will reduce the capital intensity in SMRT's business model and also benefits from more predictable margins in its core rail operations.

Table 1: Key Financial Indicators

	21-Jul	1W chg (bps)	1M chg (bps)		21-Jul	1W chg	1M chg
iTraxx Asiax IG	119	-2	-21	Brent Crude Spot (\$/bbl)	47.17	1.97%	-6.87%
iTraxx Sovx APAC	47	0	-5	Gold Spot (\$/oz)	1,313.88	-1.60%	3.61%
iTraxx Japan	57	4	-11	CRB	185.09	-1.86%	-4.14%
iTraxx Australia	110	0	-18	GSCI	354.99	-0.87%	-6.62%
CDX NA IG	70	-1	-9	VIX	11.77	-9.74%	-36.31%
CDX NA HY	105	0	2	CT10 (bp)	1.580%	10.58	-10.85
iTraxx Eur Main	69	-1	-10	USD Swap Spread 10Y (bp)	-13	2	-1
iTraxx Eur XO	320	3	-21	USD Swap Spread 30Y (bp)	-45	1	3
iTraxx Eur Snr Fin	93	-2	-10	TED Spread (bp)	38	0	-2
iTraxx Sovx WE	26	1	-2	US Libor-OIS Spread (bp)	29	1	3
iTraxx Sovx CEEMEA	133	16	4	Euro Libor-OIS Spread (bp)	6	0	-2
					21-Jul	1W chg	1M chg
				AUD/USD	0.747	-2.08%	0.31%
				USD/CHF	0.986	-0.56%	-2.45%
				EUR/USD	1.102	-0.91%	-1.98%
				USD/SGD	1.358	-1.11%	-1.07%
Korea 5Y CDS	48	0	-11	DJIA	18,595	1.21%	4.29%
China 5Y CDS	110	-1	-13	SPX	2,173	0.96%	4.03%
Malaysia 5Y CDS	131	3	-27	MSCI Asiax	526	0.88%	5.23%
Philippines 5Y CDS	99	0	-13	HSI	21,882	2.63%	5.87%
Indonesia 5Y CDS	161	2	-29	STI	2,946	1.21%	5.60%
Thailand 5Y CDS	91	-8	-25	KLCI	1,670	0.56%	1.95%
				JCI	5,243	2.12%	7.46%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
20-July-16	China Minmetals Corp.	"NR/Baa1/BBB+"	USD300mn	5-year	CT5+205bps
20-July-16	China Minmetals Corp.	"NR/Baa1/BBB+"	USD700mn	10-year	CT10+265bps
19-July-16	SGSP Assets Pty. Ltd.	"BBB+/A3/NR"	USD500mn	10-year	CT10+175bps
19-July-16	ONGC Videsh	"BBB-/Baa2/NR"	USD400mn	5-year	CT5+175bps
19-July-16	ONGC Videsh	"BBB-/Baa2/NR"	USD600mn	10-year	CT10+220bps
18-July-16	Busan Bank Ltd.	"BBB+/A2/BBB+"	USD250mn	10-year	CT10+210bps
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

Source: OCBC, Bloomberg

Rating Changes (cont'd):

S&P affirmed CAR Inc.'s "BB+" corporate credit rating with a negative outlook. The affirmation follows S&P's expectation that CAR will be able to maintain its credit profile while the negative outlook reflects the heightened concentration risk and uncertainties in CAR's cross-holding shareholding structure, which may negatively influence its operation and profitability. S&P revised its outlook of AEON Co. Ltd. to negative from stable on its "BBB+" corporate credit rating. The outlook revision reflects S&P's view that a slow recovery in the profits of its mainstay general merchandising store (GMS) business and an increase in debt stemming from active investments keep the ratio of AEON's debt to EBITDA at higher levels than expected. Although AEON's earnings performance is recovering, S&P believe that its debt to EBITDA is unlikely to improve in the next one to two years due to its heavy investments. At the same time, S&P likewise revised its outlook on AEON Mall to negative from stable on its "BBB+" corporate credit rating. S&P revised Deutsche Securities Inc.'s outlook to negative from stable on its "BBB+" credit rating following the same rating actions that was took on its parent company, Deutsche Bank on 19 July. Moody's revised Yuexiu Transport Infrastructure Ltd. outlook to stable from negative on its "Baa2" issuer rating. The change in outlook reflects the strengthening in Yuexiu Transport's credit profile, supported by its steady and fairly resilient operating performance.

Credit Headlines:

Ascott Residence Trust ("ART"): ART's gross revenue for 1H2016 increased by 19% to SGD224.9mn (1H2016: SGD188.7mn) while gross profit increased by 19.9%. The improvement in gross revenue was largely attributable to the contribution from newly acquired properties in the US, Australia and Japan. However, on a "like-for-like" basis (excluding the acquisitions), gross revenue decreased by SGD6.4mn as a result of lower revenue from the UK and the Philippines due to ongoing renovations. In 2Q2015, half of ART's gross profit was underpinned by Master Leases and management contracts with minimum guaranteed income. This proportion was lower at 39% in 2Q2016. As the French properties are currently still underpinned by Master Leases, gross profit for France is expected to remain stable despite possible headwinds to tourism numbers. 2Q2016 has not fully reflected the impact from Brexit, we expect slower corporate travel demand to be apparent in 3Q2016 although this may be offset by tourist demand from the weakened pound. ART's credit profile have deteriorated somewhat, with aggregate leverage increasing to 41% (31 March 2016: 38.9%). While EBITDA/Gross Interest improved to 3.5x in 1H2016 (from 3.0x in 1H2015) contributed by additional income from new properties, EBITDA/(Gross Interest plus perpetual distribution) reduced to 2.5x (against 2.6x in 1H2015). This reflects the full impact of the distributions on the SGD250mn perpetual security that was issued in June 2015. We currently hold ART's issuer profile at Neutral. (Company, OCBC)

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