

Apr 25, 2016

Table 1: Key Financial Indicators

| | <u>25-Apr</u> | <u>1W chg (bps)</u> | <u>1M chg (bps)</u> | | <u>25-Apr</u> | <u>1W chg</u> | <u>1M chg</u> |
|--------------------|---------------|---------------------|---------------------|----------------------------|---------------|---------------|---------------|
| iTraxx Asiax IG | 138 | 0 | -16 | Brent Crude Spot (\$/bbl) | 44.93 | 4.71% | 11.10% |
| iTraxx SovX APAC | 56 | -2 | -2 | Gold Spot (\$/oz) | 1,232.25 | -0.44% | 1.25% |
| iTraxx Japan | 65 | -12 | -29 | CRB | 179.65 | 3.47% | 4.34% |
| iTraxx Australia | 128 | -8 | -18 | GSCI | 347.98 | 3.49% | 6.12% |
| CDX NA IG | 73 | -5 | -11 | VIX | 13.22 | -2.94% | -10.31% |
| CDX NA HY | 103 | 0 | 1 | CT10 (bp) | 1.888% | 11.67 | -1.22 |
| iTraxx Eur Main | 69 | -3 | -8 | USD Swap Spread 10Y (bp) | -14 | 1 | 0 |
| iTraxx Eur XO | 294 | -15 | -27 | USD Swap Spread 30Y (bp) | -47 | 0 | 1 |
| iTraxx Eur Snr Fin | 82 | -5 | -13 | TED Spread (bp) | 41 | -1 | 7 |
| iTraxx Sovx WE | 26 | -1 | -1 | US Libor-OIS Spread (bp) | 24 | -1 | 1 |
| iTraxx Sovx CEEMEA | 129 | -4 | -22 | Euro Libor-OIS Spread (bp) | 10 | 0 | -1 |
| | | | | | <u>25-Apr</u> | <u>1W chg</u> | <u>1M chg</u> |
| | | | | AUD/USD | 0.771 | 0.04% | 2.68% |
| | | | | USD/CHF | 0.979 | -1.35% | -0.09% |
| | | | | EUR/USD | 1.123 | -0.65% | 0.57% |
| | | | | USD/SGD | 1.354 | 0.11% | 1.29% |
| Korea 5Y CDS | 63 | -1 | -4 | DJIA | 18,004 | 0.59% | 2.79% |
| China 5Y CDS | 123 | 3 | -6 | SPX | 2,092 | 0.52% | 2.73% |
| Malaysia 5Y CDS | 156 | -7 | -3 | MSCI Asiax | 512 | 0.16% | 3.24% |
| Philippines 5Y CDS | 99 | -1 | -9 | HSI | 21,467 | 0.71% | 5.51% |
| Indonesia 5Y CDS | 192 | -10 | -17 | STI | 2,940 | 0.56% | 3.27% |
| Thailand 5Y CDS | 124 | 0 | -17 | KLCI | 1,718 | -0.58% | 0.83% |
| | | | | JCI | 4,915 | 1.89% | 1.82% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| <u>Date</u> | <u>Issuer</u> | <u>Ratings</u> | <u>Size</u> | <u>Tenor</u> | <u>Pricing</u> |
|-------------|--------------------------|----------------|-------------|--------------|----------------|
| 22-Apr-16 | Maybank | A-/A3-A- | USD500mn | 10.5NC5.5 | CT10+255bps |
| 22-Apr-16 | JD.com | BBB-/Baa3/NR | USD500mn | 5-year | CT5+190bps |
| 22-Apr-16 | JD.com | BBB-/Baa3/NR | USD500mn | 10-year | CT10+215bps |
| 21-Apr-16 | Sydney Airport | BBB/Baa2/NR | USD900mn | 10-year | CT10+175bps |
| 21-Apr-16 | Hongkong Electric Co Ltd | A-/NR/NR | USD750mn | 10-year | CT10+112.5bps |
| 20-Apr-16 | BOC Aviation | BBB+/NR/A- | USD750mn | 10-year | CT10+215bps |
| 20-Apr-16 | Government of Malaysia | A-/A3/A- | USD1bn | 10-year | CT10+135bps |
| 20-Apr-16 | Government of Malaysia | A-/A3/A- | USD500mn | 30-year | CT30+145bps |

Source: OCBC, Bloomberg

Market Commentary: The SGD swap curve bear flattened last Friday with the 1-3mth rates trading 8-9bps higher while the rest of the curve traded 1bp-2bps higher last Friday. Flows in the SGD corporate space were light, where we saw better buyers in FCLSP 4.25%'26s, GENSSP 5.125%'49s and ABNANV 4.75%'26s. In the broader dollar space, the spread on the JACI IG corporates was level at 226bps, while the yield on the JACI HY corporates was level at 7.52%. 10y UST yield was level at 1.89% with oil prices and equity markets losing momentum towards the latter part of the week.

New Issues: Maybank priced a USD500mn Tier 2 10.5NC5.5 bond at CT10+255bps, tightening from an initial guidance of CT10+280bps. The expected rating for the issue is "A-/A3/A-". This deal marks Malaysia's first Basel III compliant USD bond deal. JD.com Inc priced a two-part deal, with the USD500mn 5-year bond priced at CT5+190bps, tightening from an initial guidance of CT5+215bps, and the USD500mn 10-year bond priced at CT10+220bps, tightening from an initial guidance of CT10+245bps. The expected rating for the issue is "BBB-/Baa3/NR". Meanwhile, Huawei has scheduled for investor meetings for a possible USD bond issuance from today onwards.

Rating Changes: S&P placed its "BB+" long-term corporate credit rating on Mitsubishi Motors Corp on CreditWatch with negative implications following the company's announcement that fuel-consumption test data for four of its mini-vehicle models was deliberately falsified. This testing fraud is highly likely to depress unit sales, and cause damage to business performance and the company's financial profile over the next year or two according to S&P. Fitch has revised the outlook on Origin Energy Ltd's "BBB" and Woodside Petroleum Ltd's "BBB+" ratings to negative from stable. Both ratings remain exposed to weakness in LNG markets as a result of sustained low oil prices which is putting pressure on forecast credit metrics at the current rating levels.

Credit Headlines:

Singapore Real Estate Statistics – URA released 1Q2016 real estate statistics on Friday which were generally in-line with the flash estimates released early this month. Private residential prices declined 0.7% q/q in 1Q2016 driven by the mass market OCR regions while the luxury CCR and the RCR region seemed to have stabilized somewhat. Prices in the OCR region declined 1.3% q/q while the prices in the CCR region bucked the downward trend with a 0.3% q/q increase which was probably due to the successful launch of Cairnhill 9 (193 out of 268 units sold). Prices in the RCR regions were unchanged q/q. Overall the directionality of the market has not changed and with no indication of cooling measures being lifted soon, continue to prefer a shift up the credit curve among bonds issued by Singapore property developers. (URA, OCBC)

Starhill Global REIT (“SGREIT”): 3QFY2016 results highlighted that revenue was up 12.0% y/y to SGD53.6mn while NPI was up 7.0% y/y to SGD41.6mn. Revenue was supported by the Myer Centre Adelaide acquisition done in May 2015. On a q/q basis though, some softness could be seen, with revenue declining 3.6%. Though the divestment of one of its Japanese assets contributed to the decline, we also saw declining revenue from Wisma Atria (-4.4% q/q) due to lower occupancies, as well as sharply poorer performance at its Chengdu mall (-29.6% q/q, small asset). NPI also declined 4.8% q/q due to lower revenue and higher finance expenses (due to the Myer Centre Adelaide acquisition). Portfolio occupancies have worsened distinctly q/q to 95.6% (2QFY2016: 98.0%), due to the fall in occupancy in the Australia portfolio. Part of this was intended, with lease terminations relating to the planned AEI for one of the assets. WALE remains manageable at 7.3 years (by NLA) largely due to the number of master lease arrangements that SGREIT has. Aggregate leverage was held steady q/q at 35.4% (2QFY2016: 35.7%) due to the slight decrease in gross debt, but interest coverage has worsened slightly to 4.3x (2QFY2016: 4.5x) due to weakened EBITDA. SGREIT’s debt remains 100% fixed / hedged with an average interest cost of 3.15%. Weighted average debt maturity worsened slightly q/q to 3.3 years (2QFY2016: 3.6 years) though it’s worth noting that SGREIT has no meaningful debt maturities till end June 2017. Looking forward, we believe that SGREIT’s revenue will face some pressure due to softness in Singapore and China, though the declines will be slight due to the master leases that it has. That said, with the Toshin master lease at Ngee Ann City currently under rent review (due in June 2016), and with it contributing ~20% of portfolio gross rent, any weakness in rental reversion will have an impact on SGREIT’s future performance. For now, we will reiterate SGREIT’s Neutral Issuer Profile. (Company, OCBC).

Sembcorp Industries / Sembcorp Marine (“SCI” / “SMM”): Following up on the news regarding Sete Brasil’s potential bankruptcy filing last week, SMM has made a statement that it believes its current provisions of SGD329mn for its Sete Brasil exposure to be adequate, and that it has initiated arbitration proceedings against Sete Brasil. SMM will be reporting its 1Q2016 results this Wednesday (27/04/16). (Company)

Andrew Wong

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

Nick Wong Liang Mian, CFA

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

Nicholas Koh Jun Ming

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.