

May 25, 2016

Market Commentary: The SGD swap curve traded upwards yesterday, trading 3-5 bps higher across all tenors as a corollary of higher US benchmark yields. Flows in the SGD corporates were heavy, where we saw better buyers in STANLN 4/4%'26s, SOCGEN 4.3%'26s, NAB 4.15%'28s, UOBSP 4%'49s and mixed interest in MFCCN 3.85%'26s, GEMAU 5.5%'19s, EXIMBK 3.375%'17s and ABNANV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates was level at 222bps, while the yield on the JACI HY corporates increased by 1bps to 7.24%. 10y UST yields increased by 2bps to 1.86%.

New Issues: DBS has launched a AUD 3-yr covered bond at a guidance of 3mBBSW+80bps. The issue is expected to be rated "NR/Aaa/AAA". CCB Leasing priced a two-tranche deal, with the USD400m 3-year bond priced at CT3+155bps, tightening from IPT of CT3+175bps. CCB Leasing priced the other tranche of USD600m 5-year bonds at CT5+168bps, tightening from IPT of CT5+190bps. The expected ratings are "NR/A3/A". 361 Degrees priced a USD400m 5NC3 bond at 7.25%, tightening from IPT of 7.75%. The expected ratings are "BB/NR/BB". China Three Gorges priced a two-tranche deal, with the USD500m 5-year bond at CT5+90bps, tightening from IPT of CT5+110bps. China Three Gorges priced another USD1bn 10-year bond at CT10+130bps, tightening from IPT of CT10+150bps. The expected ratings are "NR/Aa3/A+". DP World Cresnet Limited priced a USD1.2bn 7-year bond at 3.9%. The expected ratings are "NR/Baa3/BBB-". United Engineers Ltd has launched a SGD 5yr bond with IPT of 3.8%.

Rating Changes: Moody's has downgraded the credit ratings of Greenland Holding Group Company Limited and its subsidiaries, reflecting the group's high debt leverage and weak credit metrics which Moody's expects to persist over the next 12-18 months. Greenland Holding Group's issuer rating was downgraded to "Ba1" from "Baa3" and subsequently withdrawn while a "Ba1" corporate family rating was assigned. Greenland Hong Kong Holdings' corporate family rating was downgraded to "Ba2" from "Ba1" and the ratings on its MTN program and senior unsecured notes were downgraded to "Ba3" from "Ba1". The ratings on Greenland Global's MTN program and senior unsecured notes which are guaranteed by Greenland Holding Group Company Limited were downgraded to "Ba2" from "Baa3". The outlook is negative for all ratings. Fitch has downgraded Credit Suisse Group Long-Term Issuer Default rating to "A-" from "A", reflecting its vulnerabilities in the business model to challenging capital markets as demonstrated by losses recorded for the two quarters since the group was capitalized. The outlook is stable.

Table 1: Key Financial Indicators

	25-May	1W chg (bps)	1M chg (bps)		25-May	1W chg	1M chg
iTraxx Asiax IG	144	0	1	Brent Crude Spot (\$/bbl)	49.17	0.49%	10.54%
iTraxx SovX APAC	53	-1	-5	Gold Spot (\$/oz)	1,226.85	-2.51%	-0.90%
iTraxx Japan	71	-1	3	CRB	183.35	-1.35%	2.50%
iTraxx Australia	133	2	2	GSCI	366.12	-1.25%	6.05%
CDX NA IG	80	-4	5	VIX	14.42	-7.39%	2.41%
CDX NA HY	103	1	0	CT10 (bp)	1.854%	0.04	-5.86
iTraxx Eur Main	75	-3	4	USD Swap Spread 10Y (bp)	-14	1	-1
iTraxx Eur XO	319	-9	15	USD Swap Spread 30Y (bp)	-48	1	-1
iTraxx Eur Snr Fin	93	-6	7	TED Spread (bp)	32	-2	-9
iTraxx Sovx WE	26	0	0	US Libor-OIS Spread (bp)	20	0	-5
iTraxx Sovx CEEMEA	139	0	7	Euro Libor-OIS Spread (bp)	9	0	-1
					25-May	1W chg	1M chg
				AUD/USD	0.719	-0.53%	-6.79%
				USD/CHF	0.993	-0.53%	-1.81%
				EUR/USD	1.114	-0.69%	-1.14%
				USD/SGD	1.382	0.01%	-2.16%
Korea 5Y CDS	62	-3	-3	DJIA	17,706	1.00%	-1.51%
China 5Y CDS	124	-5	-4	SPX	2,076	1.41%	-0.56%
Malaysia 5Y CDS	160	-3	-3	MSCI Asiax	477	-0.68%	-6.33%
Philippines 5Y CDS	112	-5	8	HSI	19,830	-1.43%	-6.92%
Indonesia 5Y CDS	193	-1	-6	STI	2,750	-1.11%	-5.17%
Thailand 5Y CDS	121	-3	-6	KLCI	1,626	-0.46%	-5.17%
				JCI	4,711	-0.39%	-3.44%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
24-May-16	CCB Leasing	NR/A3/A	USD400mn	3-year	CT3+155bps
24-May-16	CCB Leasing	NR/A3/A	USD600mn	5-year	CT5+168bps
24-May-16	361 Degree	BB/NR/BB	USD400mn	5NC3	7.25%
24-May-16	China Three Gorges	NR/Aa3/A+	USD500mn	5-year	CT5+90bps
24-May-16	China Three Gorges	NR/Aa3/A+	USD1bn	10-year	CT10+130bps
24-May-16	DP World Cresnet Limited	NR/Baa3/BBB-	USD1.2bn	7-year	3.9%
24-May-16	Axis Bank	BBB+/Baa3/BBB-	USD500mn	5-year	CT5+160bps
23-May-16	ANZ Bank	AA-/Aa2/NR	USD850mn	5-year	CT5+95bps

Source: OCBC, Bloomberg

Credit Headlines:

CapitaLand Commercial Trust ("CCT"): S&P said that CCT's "A-" rating with a stable outlook is not affected by the 100% debt-funded acquisition of CapitaGreen. CCT will fund the acquisition by drawing down on SGD393mn of committed bank borrowings which will mature between 2018 and 2019. This together with the assumption of SGD534mn of debt from CapitaGreen's existing borrowings will see aggregate leverage jump to 37.7% which will bring it in line with its commercial REIT peers (Keppel REIT: 39%, Suntec REIT: 36%). Cash flow leverage measures (FFO to debt at about 10% post acquisition) will remain within S&P's expectations and the rating agency expects the REIT to pare down its leverage in the near term. S&P's statement was generally in-line with our commentary on the acquisition and we maintain our Neutral Issuer profile on CCT with a Neutral on the CCTSP 2.96% '21s. (Company, OCBC)

Singapore Post Ltd ("SPOST"): SPOST announced that its Deputy Chairman and Executive Director Mr Goh Yeow Tin, will resign from the board with effect from 24 June 2016. Mr Goh was appointed as a Director in July 2014 and subsequently appointed as Deputy Chairman in May 2015. In December 2015, Mr Goh was appointed as Executive Director for a 12 month period whilst the Board of Directors look for a replacement group CEO. Mr. Goh was tasked with overseeing SPOST's post-merger integration activities, business and operations in Singapore as part of the transition plan.

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