

Mar 28, 2016

**Market Commentary:** The SGD swap curve bull-flattened last Thursday with the short-end rates trading 3bps lower while the long-end rates traded 4bps-5bps lower. Flows in the SGD corporate space was heavy where we saw better buyers in ABNANV 4.75%'26s, ABN 4.7%'22s, GENSSP 5.125%'49s, BNP4.3%'25s and mixed interest in SINTEC 4.05%'25s, ANVAU 5.5%'76s, STANLN 4.4%'26s and ASPSP 4.5%'17s. 10y UST increased by 3bps to 1.90%.

**New Issues:** Yunnan Provincial Investment Holdings Group priced a USD300mn 3 year bond at 3.375%, with an orderbook of over USD3.3bn from 109 accounts. Thailand's TMB Bank priced a USD300mn 5.5-year bond at 3.108% (CT5+170bps), with orderbook of over USD1.8bn from 143 accounts.

**Rating Changes:** S&P lowered Japan-based general trading and investment company ("GTIC") Mitsui & Co Ltd's long-term corporate credit and senior unsecured ratings to "A" from "A+". At the same time, S&P has also placed their long-term "A" rating and short-term "A-1" ratings on CreditWatch with negative implication. The downgrade reflects Mitsui's expectation that it will suffer a JPY70bn net loss for fiscal 2015 due to an additional impairment loss of JPY260bn. Along the same theme, S&P lowered its long-term corporate credit rating on Mitsubishi Corp to "A" from "A+". This rating action follows Mitsubishi Corp's revision of its earnings forecast for fiscal 2015 (ending 31 Mar 2016) to a net loss of JPY150bn (from net profit of JPY300bn). This is because of impairment losses from large-scale projects, including copper mining in Chile and iron ore and LNG businesses in Australia. Outlook is negative. Moody's too placed Mitsubishi Corp's issuer and senior unsecured rating of "A1" on review for downgrade. This was prompted by Moody's increasing concern over Mitsubishi's ability to generate adequate earnings and cash flow, as well as its ability to reduce its leverage to a level consistent with its "A1" rating.

**Table 1: Key Financial Indicators**

	28-Mar	1W chg (bps)	1M chg (bps)		28-Mar	1W chg	1M chg
iTraxx Asiax IG	154	5	-2	Brent Crude Spot (\$/bbl)	40.58	-1.50%	15.61%
iTraxx SovX APAC	58	1	-16	Gold Spot (\$/oz)	1,213.95	-2.66%	-1.64%
iTraxx Japan	93	20	-5	CRB	172.18	-3.08%	5.87%
iTraxx Australia	146	-1	-10	GSCI	327.91	-2.95%	9.05%
CDX NA IG	84	7	-23	VIX	14.74	2.08%	-22.87%
CDX NA HY	104	1	5	CT10 (bp)	1.900%	2.68	18.43
iTraxx Eur Main	77	5	-22	USD Swap Spread 10Y (bp)	-12	4	4
iTraxx Eur XO	321	25	-87	USD Swap Spread 30Y (bp)	-50	2	4
iTraxx Eur Snr Fin	95	8	-13	TED Spread (bp)	35	1	3
iTraxx Sovx WE	27	1	-7	US Libor-OIS Spread (bp)	23	-1	0
iTraxx Sovx CEEMEA	151	6	-37	Euro Libor-OIS Spread (bp)	10	0	-4
					28-Mar	1W chg	1M chg
				AUD/USD	0.751	-1.53%	5.04%
				USD/CHF	0.979	-1.00%	2.23%
				EUR/USD	1.116	-1.12%	2.32%
				USD/SGD	1.372	-1.09%	2.46%
Korea 5Y CDS	66	2	-1	DJIA	17,516	0.20%	4.90%
China 5Y CDS	129	5	-4	SPX	2,036	-0.23%	4.32%
Malaysia 5Y CDS	159	-2	-16	MSCI Asiax	496	-1.37%	7.93%
Philippines 5Y CDS	108	1	-11	HSI	20,346	-0.77%	7.71%
Indonesia 5Y CDS	209	5	-21	STI	2,847	-1.14%	9.37%
Thailand 5Y CDS	141	3	-10	KLCI	1,704	-0.73%	2.43%
				JCI	4,827	-1.20%	3.62%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
24-Mar-16	Yunnan Provincial Investment Holdings	NR/NR/BBB+	USD300mn	3-year	3.375%
24-Mar-16	TMB Bank Public Co Ltd	BBB-/Baa2/BBB-	USD300mn	5.5-year	3.108%
23-Mar-16	ABN AMRO Bank	Baa3/BBB-/A-	SGD450mn	10-year	4.75%
23-Mar-16	Blue Sky Fliers Co	NR/NR/NR	USD120mn	3-year	6.90%
22-Mar-16	TA Corporation Ltd	NR/NR/NR	SGD40mn	2-year	5.5%
22-Mar-16	Republic of Indonesia	BB+/Baa3/BBB-	USD750mn	5-year	3.4%
22-Mar-16	Republic of Indonesia	BB+/Baa3/BBB-	USD1.75bn	10-year	4.55%
22-Mar-16	Aspial Corporation Limited	NR/NR/NR	SGD75mn	4-year	5.3%

Source: OCBC, Bloomberg

Note: Ratings for ABN AMRO Bank reflects issue ratings

**Rating Changes (cont'd):** Fitch lowered China Properties Group Ltd (“CPG”) to “CCC” from “B-“, with the rating on its outstanding USD250mn senior notes also downgraded to “CCC” from “B-“ (with a Recovery Rating of ‘RR4’). The downgrade reflects CPG’s lack of a contracted sales track record and not reaching sales target communicated to Fitch. CPG’s lack of operational cash flow provides limited visibility of its ability to meet debt-servicing obligations.

**Credit Headlines:**

**Hotel Properties Limited (“HPL”):** HPL announced that its joint venture company VN NH Holdings, has entered into a sale-and-purchase agreement to buy American Indochina Resorts Limited for USD65m (~SGD88.3mn). AIRL owns AIR Residences, Indochina Resorts and Indochina Resorts Residences (collectively, the AIRL Group). The AIRL Group owns a 5-star beachfront resort in Vietnam.

**Perennial Real Estate Holdings (“PREH”):** PREH will acquire 20% stake in Shenzhen Aidigong Modern Maternal and Child Health Management (“Aidigong”) for ~SGD29mn. The deal values Aidigong at ~SGD138mn, representing 9.7x FY2016 EV/EBITDA. Upon completion of the transaction (combination of vendor shares and new shares), Perennial will be the second single largest shareholder, after the founder/Chairman who will hold ~44% of the company. This transaction is PREH's second acquisition in the Chinese medical space, having acquired a 40% stake (for SGD63mn) in Modern Hospital Guangzhou via a joint venture in July 2015.

**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)

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