

Feb 03, 2016

Market Commentary: The SGD swap curve bear steepened, with the shorter end and longer end of the curve inching ~2bps and ~4bps higher respectively. In the broader dollar space, both the JACI IG corporates spread as well as the JACI HY corporate yield have widened ~1bp, to 236bps and 8.32% respectively. 10y UST yield fell sharply by 10bps to 1.85%, the lowest in 10 months, driven by the safe haven bid with investor sentiment souring on continued energy and stock market declines.

New Issues: Westpac Banking priced a 4-year CNH130mn bond issue paying 5.4%. Export-Import Bank of Korea priced a 5-year USD400mn green bond issue, at CT5 + 87.5bps, tighter than the initial guidance of +105bps. (Bloomberg)

Rating Changes: S&P downgraded Dalian Wanda Commercial Properties Company from BBB+ to BBB. Outlook is negative. This was due to weaker cash flows and aggressive expansion appetite. Shanghai Huayi Group was downgraded by Moody's from Baa3 to Baa2. This was driven by expectations of weak earnings and high leverage against the backdrop of an oversupplied commodity chemicals industry. (S&P, Moody's)

Table 1: Key Financial Indicators

	3-Feb	1W chg (bps)	1M chg (bps)		3-Feb	1W chg	1M chg
iTraxx Asiax IG	157	1	15	Brent Crude Spot (\$/bbl)	32.36	-2.24%	-13.20%
iTraxx SovX APAC	82	8	6	Gold Spot (\$/oz)	1,126.56	0.14%	4.83%
iTraxx Japan	88	-2	10	CRB	160.18	-1.54%	-9.06%
iTraxx Australia	149	3	18	GSCI	285.54	-1.14%	-8.38%
CDX NA IG	108	3	18	VIX	21.98	-2.31%	20.70%
CDX NA HY	99	0	-2	CT10 (bp)	1.833%	-16.65	-43.66
iTraxx Eur Main	98	6	17	USD Swap Spread 10Y (bp)	-13	1	-5
iTraxx Eur XO	386	20	52	USD Swap Spread 30Y (bp)	-48	-1	-9
iTraxx Eur Snr Fin	98	11	19	TED Spread (bp)	28	-3	-17
iTraxx Sovx WE	23	3	6	US Libor-OIS Spread (bp)	23	0	0
iTraxx Sovx CEEMEA	200	11	14	Euro Libor-OIS Spread (bp)	14	1	3
					3-Feb	1W chg	1M chg
				AUD/USD	0.702	-0.16%	-2.43%
				USD/CHF	1.018	-0.29%	-1.57%
				EUR/USD	1.093	0.29%	0.87%
				USD/SGD	1.430	0.18%	-0.39%
Korea 5Y CDS	70	3	10	DJIA	16,154	-0.08%	-7.30%
China 5Y CDS	136	9	19	SPX	1,903	-0.03%	-6.89%
Malaysia 5Y CDS	203	8	11	MSCI Asiax	456	1.60%	-8.77%
Philippines 5Y CDS	134	5	17	HSI	19,447	2.07%	-11.26%
Indonesia 5Y CDS	251	9	6	STI	2,552	0.24%	-11.46%
Thailand 5Y CDS	166	5	21	KLCI	1,653	1.33%	-2.32%
				JCI	4,587	1.71%	-0.12%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
2-Feb-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD400mn	5-year	CT5+87.5bp
2-Feb-16	Westpac Banking Corp.	AA-Aa2/NR	CNH130mn	4-year	5.40%
1-Feb-16	HNA Group	NR/NR/NR	USD35mn	2-year	8.125%
29-Jan-16	Vista Land & Lifescapes Inc.	NR/NR/NR	USD125mn	6-year	7.375%
29-Jan-16	Kookmin Bank	A/A1/A	USD500mn	5-year	MS+95bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	USD1bn	4-year	CT4+85bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	EUR1bn	2-year	MS+75bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD750mn	3-year	CT3+115bps

Source: OCBC, Bloomberg

Credit Headlines:

China Property - China lowered down-payment requirements for first homes in cities without Home Purchase Restrictions (HPR) from 25% to 30% last evening. Down-payment requirements for purchases of second homes were cut to 30% from 40% previously. Essentially this means that the 4 first tier cities (Beijing, Shanghai, Shenzhen, Guangzhou) and Sanya on Hainan Island will be excluded from the policy easing. This is the third real estate policy easing where China has left out the first tier cities which makes sense given that the first tier cities have really run away from the rest of the market. This is also a very clear attempt to reduce the price gap and the oversupply situation in the lower tier cities. The latest measures could also be an attempt to stem capital outflows by keep money invested in the property market in China. The latest policy easing will probably be the cue for a resumption of the rally we've seen for China property bonds in 2015 after a soft January both for the USD and SGD space. Specifically in the SGD space, YLLGSP 6.2% '17s (yielding 6.19%, 450bps over swaps) have been resilient, widening 65bps YTD while the CENCHI curve has been hit the hardest, with CENCHI 6.50% '17 (yielding 7.10%, 540bps over swaps) widening 162bps YTD. We continue to like YLLGSP 6.2% '17s and CENCHI 6.50% '17s in the HY space as an alternative to the troubled offshore marine and industrial sector. In the HG space we like VANKE 3.275% '17s (yielding 2.77%, 99bps over swaps).

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