

June 3, 2016

Market Commentary: SGD swap rates traded 1-3bps lower across all tenors yesterday. Flows in the SGD corporates were heavy with better buying in UOBSP 4% '48s and GENSSP 5.13% '49s. Meanwhile we also saw mixed interest in ABNANV 4.75% '26s, FCLSP 5% '49s, MFCCN 3.85% '26s, GEMAU 5.5% '19s, STANLN 4.4% '26s and HYFSP 5.75% '49s. In the broader dollar space, the spread on JACI IG corporates was levelled at 220bps, while the yield on the JACI HY corporates increased by 2 bps to 7.13%. 10y UST yield decreased by 4bps to 1.80%.

New Issues: Samvardhana Motherson Group has scheduled investor's road shows from 3 June 2016 onwards for potential USD bond issuance. Apple has launched a 2-tranche AUD Bond, with initial guidance of 2.75% for the 4-year bond and 3.44% for the 7-year bond.

Rating Changes: Moody's affirmed its credit rating on China Cinda Asset Management Co. Ltd. of "A3". This concludes the review initiated on 28 August 2015, and reflects Moody's assumption of a very high probability of support from the Government of China for the company in times of need. The outlook is negative. Moody's downgraded its credit rating on Nanyang Commercial Bank to "A3" from "A1". This concludes the downgrade initiated on 28 August 2015, after China Cinda Asset Management Co. Ltd. announced that it would acquire all issued shares of Nanyang Commercial Bank from Bank of China (Hong Kong) Limited. The outlook is negative. Fitch downgraded its credit rating on Indonesia-based PT Indika Energy Tbk (Indika) to "CCC" from "B". The downgrade reflects Indika's weakened cash generation from expected lower dividend receipts, higher reliance on short-term debt facilities, expectation of negative Cash flow generation at Indika beyond 2016 leading to lower cash reserves and uncertainties relating to how the 2018 note will be redeemed. The outlook is negative.

Table 1: Key Financial Indicators

	3-Jun	1W chg (bps)	1M chg (bps)		3-Jun	1W chg	1M chg
iTraxx Asiax IG	142	2	-4	Brent Crude Spot (\$/bbl)	50.04	0.91%	9.19%
iTraxx SovX APAC	53	0	-2	Gold Spot (\$/oz)	1,208.05	-0.36%	-6.10%
iTraxx Japan	68	3	-6	CRB	188.03	1.47%	4.55%
iTraxx Australia	131	4	-3	GSCI	374.55	1.04%	7.52%
CDX NA IG	77	1	-4	VIX	13.63	-1.94%	-12.63%
CDX NA HY	103	0	0	CT10 (bp)	1.806%	-4.51	0.96
iTraxx Eur Main	74	4	-2	USD Swap Spread 10Y (bp)	-13	1	-1
iTraxx Eur XO	321	16	-2	USD Swap Spread 30Y (bp)	-47	1	0
iTraxx Eur Snr Fin	94	6	-1	TED Spread (bp)	41	2	-4
iTraxx Sovx WE	26	0	0	US Libor-OIS Spread (bp)	22	2	-3
iTraxx Sovx CEEMEA	137	-2	5	Euro Libor-OIS Spread (bp)	8	0	-1
					3-Jun	1W chg	1M chg
				AUD/USD	0.723	0.64%	-3.43%
				USD/CHF	0.991	0.41%	-3.64%
				EUR/USD	1.115	0.31%	-3.02%
				USD/SGD	1.376	0.25%	-1.72%
Korea 5Y CDS	59	1	-7	DJIA	17,839	-0.07%	0.49%
China 5Y CDS	124	1	-7	SPX	2,105	0.70%	2.03%
Malaysia 5Y CDS	163	6	-5	MSCI Asiax	495	0.53%	-0.08%
Philippines 5Y CDS	112	2	-4	HSI	20,859	2.27%	0.88%
Indonesia 5Y CDS	193	3	2	STI	2,795	0.79%	-0.57%
Thailand 5Y CDS	121	1	-7	KLCI	1,631	-0.03%	-1.27%
				JCI	4,833	1.02%	0.44%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
31-May-16	GSH Corp Ltd	NR/NR/NR	SGD60mn	3-year	5.15%
31-May-16	Starhub Ltd	NR/NR/NR	SGD300mn	10-year	3.55%
31-May-16	Prudential PLC	A+/A2/A+	USD1bn	Perp-nc5	5.25%
26-May-16	China Huarong Asset Management	A-/A3/A	USD700mn	3-year	CT3+177.5bps
26-May-16	China Huarong Asset Management	A-/A3/A	USD900mn	5-year	CT5+200bps
26-May-16	China Huarong Asset Management	A-/A3/A	USD900mn	10-year	CT10+290bps
26-May-16	BPCE SA	BBB/Baa3/A-	SGD130mn	10NC5	4.50%
26-May-16	Midea Group Company Limited	A-/NR/A-	USD700m	3-year	CT3+135bps

Source: OCBC, Bloomberg

Credit Headlines:

Keppel Corp Ltd and Sembcorp Industries Ltd ("KEP & SCI"): Both KEP and SCI have issued statements to deny all allegations in the lawsuits filed by EIG Management Co and eight of its managed funds ("EIG"). EIG has added both KEP and SCI as defendants in a legal action by EIG against Petrobras where EIG has alleged that the defendants participated in an unlawful conspiracy which EIG were induced to invest more than USD221m in Sete Brasil, Petrobras' rig building unit. (Company, OCBC)

China Vanke Co. Ltd ("Vanke"): Vanke reported May 2016 contracted sales up 76% y/y to RMB36.38bn as GFA sold was up 62% y/y to 2.7mn sqm. YTD contracted sales were similarly up 74% y/y to RMB147.67bn on a 53% y/y increase in GFA sold. Company is still registering a strong rate of pre-sales, a reflection of a healthy demand nationwide despite property tightening measures in the larger cities. We currently have a Positive issuer profile on Vanke and an Overweight on its SGD VANKE 3.275% '17s. (Company, OCBC)

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