

May 30, 2016

Market Commentary: The SGD swap curve traded upwards yesterday, trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, where we saw better buyers in SOCGEN 4.3%'26s and UOBSP 4%'49s. Meanwhile, we also saw mixed interests in BPCEGP 4.5%'26s and MFCCN 3.85%'26s. In the broader dollar space, the spread on JACI IG corporates increased slightly by 1bps to 222bps, while the yield on JACI HY corporates decreased slightly by 1bps to 7.21%. Notably, RLTAIN curve (18s: -20pts, 19s:-11pts) was down sharply after a missed coupon earlier this month. 10y UST yield increased by 2bps to 1.85%.

Rating Changes: Moody's assigned a credit rating of "Baa1" to Changchun Urban Development International Ltd's long term rating and its senior unsecured debt. The assignment of the rating follows the company's completion of its notes issuance, the final terms and conditions of which are consistent with Moody's expectation. The outlook is negative. Moody's withdrew all credit ratings on China Oriental Group Company Ltd. The credit ratings prior to withdrawal was "B2". S&P affirmed its "BBB-" credit ratings on Kerry Properties Ltd. reflecting Kerry's expected elevated financial leverage in 2016 & 2017. This is due to the company's large capital expenditure needs and fewer projects for recognition amid subdued residential market conditions in Hong Kong. The outlook is negative. Moody's affirmed its credit rating on Mizuho Financial Group of "A1", reflecting Mizuho's lowered balance sheet risk profile, improved capitalization and that the current rating has sufficient headroom to absorb the increased risks and challenges arising from the introduction of negative interest rates in Japan. The outlook is stable. S&P affirmed its credit rating of "BBB-" on Soilbuild REIT, reflecting SBREIT's stable cash flows despite the recent rental default from Technics Offshore Engineering. Outlook is stable. S&P subsequently withdrew all ratings on SBREIT's request. Fitch upgraded Ford Motor Company to "BBB" from "BBB-" reflecting the company's improving product portfolio stronger and financial position including lower leverage and better liquidity. Outlook is stable.

Table 1: Key Financial Indicators

	30-May	1W chg (bps)	1M chg (bps)		30-May	1W chg	1M chg
iTraxx Asiax IG	141	-6	-3	Brent Crude Spot (\$/bbl)	49.59	2.56%	3.03%
iTraxx SovX APAC	52	-1	-2	Gold Spot (\$/oz)	1,207.10	-3.36%	-6.54%
iTraxx Japan	66	-6	-9	CRB	186.14	1.05%	0.83%
iTraxx Australia	127	-6	-6	GSCI	371.88	1.25%	3.18%
CDX NA IG	76	-7	-2	VIX	13.12	-13.68%	-16.43%
CDX NA HY	103	1	0	CT10 (bp)	1.851%	1.60	1.77
iTraxx Eur Main	71	-8	-3	USD Swap Spread 10Y (bp)	-14	0	-2
iTraxx Eur XO	305	-29	-7	USD Swap Spread 30Y (bp)	-48	1	-1
iTraxx Eur Snr Fin	89	-9	-1	TED Spread (bp)	36	1	-4
iTraxx Sovx WE	26	0	1	US Libor-OIS Spread (bp)	20	-1	-5
iTraxx Sovx CEEMEA	139	-3	12	Euro Libor-OIS Spread (bp)	9	0	-1
					30-May	1W chg	1M chg
				AUD/USD	0.718	-0.60%	-6.34%
				USD/CHF	0.995	-0.53%	-4.06%
				EUR/USD	1.111	-1.01%	-3.70%
				USD/SGD	1.380	-0.17%	-2.89%
Korea 5Y CDS	58	-6	-7	DJIA	17,873	2.13%	0.56%
China 5Y CDS	123	-3	-7	SPX	2,099	2.28%	1.63%
Malaysia 5Y CDS	157	-5	-10	MSCI Asiax	492	2.76%	-1.98%
Philippines 5Y CDS	110	-3	-1	HSI	20,577	3.65%	-2.33%
Indonesia 5Y CDS	190	-3	-1	STI	2,803	1.40%	-1.27%
Thailand 5Y CDS	120	-2	-5	KLCI	1,637	0.52%	-2.12%
				JCI	4,815	2.18%	-0.49%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
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
25-May-16	Bright Food Singapore Holdings	BBB-/Baa3/A-	EUR400mn	3-year	1.73%
25-May-16	China Development Bank Corporation	AA-/Aa3/NR	EUR1bn	5-year	MS+60bps
25-May-16	China Development Bank Corporation	AA-/Aa3/NR	USD1bn	5-year	CT5+80bps

Source: OCBC, Bloomberg

Credit Headlines:

Malayan Banking Berhad ("Maybank"): Maybank announced 1Q2016 results with total operating income up 10.4% y/y to MYR6.716bn, mostly due to growth in net interest income (up 11.4% y/y) on group loan growth of 5.6% y/y, mostly in Malaysia retail. Net interest margin improved to 2.34% in 1Q2016, up by 8bps y/y and 5bps q/q. Of note however is the material rise in net impairment losses which were up 194% y/y and 68% q/q to MYR878.4mn. The sharpest rise occurred in its Singapore exposures in corporate and business banking. The rise in impairments was largely responsible for the 14% y/y drop in operating profit to MYR1.893bn. Loan quality ratios all weakened as well with net impaired loans ratio rising 58bps and 26bps y/y and q/q respectively to 1.64%. The loan loss coverage ratio also fell to 70.1% from 96.5% and 72.0% at 1Q2015 and FY2015 respectively. Capital ratios improved marginally with CET1/CAR ratios at 12.7%/17.6% at 1Q2016 compared to 12.5%/17.5% for FY2015 as the fall in risk weighted assets was slightly higher than the fall in capital levels from a fall in reserves. (Company, OCBC)

Ascendas REIT ("AREIT"): AREIT announced that it is divesting its Z-Link business park property located in China to Cova Beijing Investment Holdings Ltd with a purchase consideration of SGD149m and calculated based on a property value of SGD160m. The property was acquired in October 2011 for SGD62m. The transaction will be effected via a share sale of wholly-owned subsidiary (which in turn holds Ascendas Hi-tech Development (Beijing) Co., Ltd and property owner of Z-Link) (collectively, the "Target") and the assignment of a shareholder loan that was extended to the Target. The transaction will be slightly positive to aggregate leverage. We view the transaction to be credit neutral. (Company, OCBC).

Mapletree Logistics ("MLT"): MLT announced that they are acquiring 4 warehouses in Sydney for AUD85m (~SGD84m), to be funded via the proceeds from its recent perpetual issuance. NPI yield on the transaction is 7.1%, while assets are 100% leased with a weighted lease expiry of 5.5 years. Post-acquisition, Australia will contribute 6.1% to gross revenue from 4.3% pre-acquisition. We view the transaction to be credit neutral in light of the minimal deal size against MLT's total asset portfolio of more than SGD5bn. (Company, OCBC)

Viva Industrial Trust ("VIT"): VIT announced that Viva Investment Management Pte. Ltd. ("VIM"), the existing owner of 90% of the REIT manager has acquired 10% of issued share capital in the REIT manager from United Engineers Developments Pte Ltd ("UED"), a wholly-owned subsidiary of SGX-listed United Engineers Limited. VIM is owned by the REIT Sponsors, Shanghai Summit and certain members of the senior management team. With the sale of the REIT manager stake by UED, the right of first refusal ("ROFR") granted by UED to VIT over UE BizHub Central at 12 Ang Mo Kio Street 64 will expire. UED continues to be the property manager and hotel lessee at UE BizHub East. OCBC Credit Research does not cover VIT. (Company, OCBC)

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