

May 31, 2016

Market Commentary: SGD swap rates traded 6-10bps higher across the curve yesterday following Yellen's speech on Friday which reaffirmed the hawkish tone set in the FOMC minutes released last week. Flows in SGD corporates were heavy with better buying in HYFSP 6%'49s and SOCGEN 4.3%'26s and mixed interests in, MFCCN 3.85%'26s, PILLSP 5.9%'17s, BPCEGP 4.5%'26s and MLTSP 4.18%'49s. In the broader dollar space, the spread on JACI IG corporates remained unchanged at 222bps, while the yield on JACI HY corporates was also flat on the day at 7.21%. US treasury markets were closed for memorial day yesterday.

New Issues: Chip Eng Seng (construction and property development) has scheduled investor meetings today in Singapore for a potential SGD bond issue.

Rating Changes: Moody's upgraded Atlas Iron Ltd's corporate family credit rating to "Caa3" from "Ca". The rating action follows Atlas's announcement on 6 May 2016 that it has implemented a creditors' scheme and completed its debt restructuring. The outlook is stable. Moody's assigned first time credit rating to China International Capital Corporation Ltd (CICC) of "Baa1". This reflects CICC's strong investment banking franchise, high proportion of revenue from fee business that have low risk exposures, low level of proprietary equity investment and relatively higher degree of geographic diversification when compared with Chinese peers. The outlook is negative. S&P revised its outlook on Fosun International Ltd to negative from stable. It also affirmed Fosun's "BBB-" corporate credit rating and "BB" issue rating on its outstanding notes. The outlook revision reflects Moody's assessment that the stand-alone credit profile of Fosun's industrial operations has weakened due to material increase in leverage following the completion of a few acquisitions. S&P downgraded its credit rating on Bank of India to "BB+" from "BBB-" due to continued pressure on asset quality, given the tough operating conditions for the corporate sector in India. The outlook is stable. Additionally, S&P lowered its credit rating on two other Indian Banks, Indian Overseas Banks to "B-" from "BB-" and Syndicate Bank to "BB+" from "BBB-", citing deteriorating asset quality and tough operating conditions in India.

Table 1: Key Financial Indicators

| | 31-May | 1W chg (bps) | 1M chg (bps) | | 31-May | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|---------|---------|
| iTraxx Asiax IG | 140 | -4 | -3 | Brent Crude Spot (\$/bbl) | 49.76 | 2.92% | 3.39% |
| iTraxx SovX APAC | 53 | -1 | -2 | Gold Spot (\$/oz) | 1,209.95 | -1.41% | -6.32% |
| iTraxx Japan | 64 | -7 | -10 | CRB | 186.14 | 1.05% | 0.83% |
| iTraxx Australia | 126 | -7 | -7 | GSCI | 371.88 | 1.25% | 3.18% |
| CDX NA IG | 76 | -3 | -2 | VIX | 13.12 | -13.68% | -16.43% |
| CDX NA HY | 103 | 0 | 0 | CT10 (bp) | 1.851% | -1.19 | 1.77 |
| iTraxx Eur Main | 71 | -4 | -3 | USD Swap Spread 10Y (bp) | -14 | 0 | -2 |
| iTraxx Eur XO | 306 | -13 | -6 | USD Swap Spread 30Y (bp) | -48 | 0 | -1 |
| iTraxx Eur Snr Fin | 90 | -3 | 0 | TED Spread (bp) | 36 | 2 | -7 |
| iTraxx Sovx WE | 26 | -1 | 1 | US Libor-OIS Spread (bp) | 19 | -1 | -6 |
| iTraxx Sovx CEEMEA | 138 | -1 | 11 | Euro Libor-OIS Spread (bp) | 8 | 0 | -1 |
| | | | | | | | |
| | | | | | 31-May | 1W chg | 1M chg |
| | | | | AUD/USD | 0.719 | 0.15% | -6.17% |
| | | | | USD/CHF | 0.992 | 0.18% | -3.75% |
| | | | | EUR/USD | 1.115 | 0.06% | -3.35% |
| | | | | USD/SGD | 1.379 | 0.17% | -2.81% |
| | | | | | | | |
| Korea 5Y CDS | 58 | -4 | -8 | DJIA | 17,873 | 2.13% | 0.56% |
| China 5Y CDS | 123 | -1 | -6 | SPX | 2,099 | 2.28% | 1.63% |
| Malaysia 5Y CDS | 158 | -2 | -9 | MSCI Asiax | 492 | 3.28% | -2.02% |
| Philippines 5Y CDS | 111 | -1 | -- | HSI | 20,629 | 4.14% | -2.08% |
| Indonesia 5Y CDS | 190 | -3 | -2 | STI | 2,797 | 1.08% | -1.47% |
| Thailand 5Y CDS | 120 | -1 | -6 | KLCI | 1,630 | -0.31% | -2.56% |
| | | | | JCI | 4,836 | 1.95% | -0.05% |

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:

CMA CGM SA ("CMA CGM") / Neptune Orient Lines ("NOL"): CMA CGM has announced the commencement of its voluntary conditional general offer for shares in NOL that it doesn't already own or agreed to acquire. This follows the satisfaction of all pre-conditions with the offer price of SGD1.30 per share. CMA CGM currently needs another 12.5% of shares to be tendered before hitting the 90% required for mandatory delisting having acquired 10.64% of NOL shares on the secondary market and coupled with Temasek's 66.81% stake. (Company, OCBC)

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