

Apr 06, 2016

Market Commentary: The SGD swap curve traded 2bps-4bps higher at the short-end yesterday while the belly-to-long-end rates traded flat to 2bps lower. Better selling was seen in the SGD space yesterday with activity continuing to centre in the perp space notably FCLSP 4.88% perp-c19 and GENSSP 5.125% perp-c17. In the broader dollar space, the spread on JACI IG corporates widened by 3bps to 234bps, while the yield on the JACI HY corporates fell by 2bps to 7.61%. 10y UST decreased by 4bps to 1.72% amid a renewed bout of risk aversion from weak manufacturing and services data out of Europe.

New Issues: PSA International Ltd priced a USD500mn 10-year bond at CT10+87.5bps, tightening from an initial guidance of CT10+105bps. The expected rating for the issue is "NR/Aa1/NR". Korea National Oil Corp ("KNOC") priced a two-part deal, namely a USD500mn 5-year bond at CT5+95bps and a USD500mn 10-year bond at CT10+95, tightening from an initial guidance of CT5+115bps and CT10+120bps respectively. The expected rating for the issue is "AA-/Aa2/AA-". Olam International Ltd priced a USD300mn 5-year bond at 4.5%, tightening from an initial guidance of 4.65%. The issue is unrated. Meanwhile, Mizuho Financial is scheduled for investor meetings as of 5 Apr 2016 and Sunshine Life has scheduled for investor meetings from 6 Apr 2016 for a potential USD bond issuance.

Rating Changes: S&P lowered Central China Real Estate's long-term corporate credit rating to "B+" from "BB-". The rating action was due to S&P's expectation that the company's margin will recover only mildly over the next one to two years after a substantial decline in 2015. Outlook is stable. S&P lowered China-based online entertainment company YY Inc to "BB" from "BB+", due to an expectation that the company's profitability will further weaken over the next 24 months following a significant margin dip in 2015. Outlook is stable. S&P placed Golden Eagle Retail Group Ltd's "BB-" long-term corporate credit rating on CreditWatch with negative implications, due to Golden Eagle's negotiation for a consent waiver for its covenant breach taking longer than expected.

Table 1: Key Financial Indicators

	6-Apr	1W chg (bps)	1M chg (bps)		6-Apr	1W chg	1M chg
iTraxx Asiax IG	150	4	3	Brent Crude Spot (\$/bbl)	38.36	-2.29%	-0.93%
iTraxx Sovx APAC	61	6	-8	Gold Spot (\$/oz)	1,230.12	0.42%	-2.94%
iTraxx Japan	87	-1	-1	CRB	165.22	-3.64%	-1.97%
iTraxx Australia	141	1	-1	GSCI	310.41	-4.26%	-1.36%
CDX NA IG	80	1	-14	VIX	15.42	11.58%	-8.54%
CDX NA HY	102	-1	1	CT10 (bp)	1.729%	-9.41	-14.54
iTraxx Eur Main	77	5	-13	USD Swap Spread 10Y (bp)	-13	-1	2
iTraxx Eur XO	318	9	-48	USD Swap Spread 30Y (bp)	-47	-2	4
iTraxx Eur Snr Fin	96	6	-2	TED Spread (bp)	41	1	4
iTraxx Sovx WE	27	1	-4	US Libor-OIS Spread (bp)	25	1	2
iTraxx Sovx CEEMEA	153	4	-28	Euro Libor-OIS Spread (bp)	10	-1	-4
					6-Apr	1W chg	1M chg
				AUD/USD	0.753	-1.79%	0.87%
				USD/CHF	0.957	0.87%	4.06%
				EUR/USD	1.138	0.38%	3.33%
				USD/SGD	1.356	-0.42%	1.65%
Korea 5Y CDS	68	4	7	DJIA	17,603	-0.17%	3.51%
China 5Y CDS	128	8	2	SPX	2,045	-0.48%	2.26%
Malaysia 5Y CDS	161	10	-4	MSCI Asiax	496	-2.11%	2.44%
Philippines 5Y CDS	108	4	-2	HSI	20,177	-0.93%	0.00%
Indonesia 5Y CDS	206	10	-1	STI	2,798	-2.61%	-1.39%
Thailand 5Y CDS	134	2	-10	KLCI	1,723	0.28%	1.78%
				JCI	4,858	1.61%	0.15%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
05-Apr-16	PSA International Ltd	NR/Aa1/NR	USD500mn	10-year	CT10+87.5bp
05-Apr-16	Korea National Oil Corp	AA-/Aa2/AA-	USD500mn	5-year	CT5+95bps
05-Apr-16	Korea National Oil Corp	AA-/Aa2/AA-	USD500mn	10-year	CT10+95bps
05-Apr-16	Olam International Ltd	NR/NR/NR	USD300mn	5-year	4.5%
04-Apr-16	Croesus Retail Trust	NR/NR/NR	SGD60mn	4-year	5%
31-Mar-16	CapitaLand Commercial Trust	A-/A3/NR	HKD585mn	5-year	2.27%
30-Mar-16	Soilbuild REIT	NR/Baa3/NR	SGD100mn	5-year	3.6%
29-Mar-16	Ascendas REIT	NR/A3/NR	SGD130mn	5-year	2.655%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's placed on review for downgrade Golden Eagle Retail Group Ltd's "Ba3" corporate family rating, following Golden Eagle's disclosure on 30 Mar 2016 that it breached certain financial covenants of its 2015 syndicated loan. Moody's confirmed the CNPC Captive Insurance Company Ltd's "A1" insurance financial strength rating with a negative outlook, in line with the negative outlook of parent China National Petroleum Corporation ("CNPC").

Credit Headlines:

Swissco Holdings ("SWCH"): SWCH announced that they have entered into a non-binding MOU to acquire VM Marine International ("VMM"). VMM was incorporated in 2007, and provides marine support services. It currently has a fleet of 15 OSVs, of which 5 are owned while the rest are on technical / commercial management contracts. VMM has market presence in the Arabian Gulf, West Africa and India. No financial terms have been disclosed. SWCH last reported a net gearing of 71% (end-2015). (Company)

Central China Real Estate's ("CENCHI"): CENCHI downgrade should not have come as a surprise having been on negative outlook since 2015 and post-results where CENCHI reported deterioration in gross profit margins from 33.6% to 22.2%. Main concerns highlighted in the S&P report was the decrease in profitability from pricing pressure in lower tier cities and the company's high geographic concentration to lower-tier cities. In the USD space, bonds are down 0.5-1pts in early trade. Separately, CENCHI reported contracted 1Q2016 contracted sales up 40.4% y/y to RMB1.59bn and ASP up 9.7% y/y to RMB5,835 on the back of continued policy support for the lower tier cities. At current levels, the downgrade has been more than adequately priced in with the USD CENCHI curve trading wider than most single B names. We maintain our Neutral Issuer profile, Neutral on the SGD 16s and Overweight on the 17s. (Source: Company, S&P, OCBC)

Financial Institutions: The Australian Securities and Investment Commission ('ASIC') has commenced civil legal proceedings against Westpac Banking Corp., the second Australian bank (after Australia and New Zealand Banking Group Ltd) charged with allegedly manipulating the bank-bill swap rate, Australia's equivalent of LIBOR. The Australian Financial Review has reported that civil actions carry a fine of AUD1mn per offense which means Westpac's possible fine is AUD16mn. In contrast, ANZ's fine could possibly be AUD44mn for instances of rate manipulation through 2010-2012. While the news could remain an overhang for Australian bank bonds given the precedent set in Europe in several rate-rigging cases with European banks paying sizeable fines and impacting their profitability at a time of weak growth, the potential quantum of fines is not material for their credit profile in our view. The rate setting mechanism for setting the bank-bill swap rate has since changed in 2013 (Bloomberg, AFR, OCBC).

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