

Jan 07, 2016

Market Commentary: SGD swaps were 1-2bps higher at the short-end while the belly-to-long-end traded 1bp lower. Flows in the SGD corporate space were light with selling seen in SINTEC 4.05% 2025. In the broader Asia dollar space, JACI IG corporate spreads widened slightly by 1.5bps to 218bps while the yield on JACI HY corporates fell 5bps to 7.87%. Indonesian HY was notably stronger, up 0.5-2pts on the day. 10-year UST yields fell by 6.6bps to 2.17%.

New Issues: AirAsia Bhd has set up a USD1b Multi-Currency MTN Program and will hold investor meetings in Singapore, Hong Kong and London starting tomorrow. Swire Properties priced USD500m of 10-year bonds at CT10+147.5bps, tightening from initial guidance in the 165bps area. The deal was more than 3 times oversubscribed with order book of more than USD1.8bn for the USD500m bonds. Korea Development Bank priced a dual tranche deal with the USD500m 5-year tranche coming in at CT5+82.5bps and the USD1bn 10-year tranche at CT10+87.5bps, tightening from initial price guidance of CT5+100bps and CT10+110bps, respectively. Jiangsu NewHeadline Development Group Co. priced a USD200m 3-year deal at 6.20%, tightening from an initial price guidance of 6.625%.

Table 1: Key Financial Indicators

	<u>7-Jan</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>		<u>7-Jan</u>	<u>1W chg</u>	<u>1M chg</u>
iTraxx Asiax IG	144	9	10	Brent Crude Spot (\$/bbl)	34.23	-9.42%	-20.40%
iTraxx Sovx APAC	75	4	6	Gold Spot (\$/oz)	1,092.51	2.82%	0.83%
iTraxx Japan	77	3	4	CRB	169.45	-4.45%	-5.10%
iTraxx Australia	132	6	8	GSCI	297.95	-5.48%	-6.91%
CDX NA IG	93	4	9	VIX	20.59	28.05%	29.99%
CDX NA HY	100	-1	-2	CT10 (bp)	2.186%	-8.33	-4.27
iTraxx Eur Main	82	4	10	USD Swap Spread 10Y (bp)	#N/A N/A	11	11
iTraxx Eur XO	337	22	43	USD Swap Spread 30Y (bp)	-40	-1	-1
iTraxx Eur Snr Fin	78	1	7	TED Spread (bp)	42	-5	17
iTraxx Sovx WE	16	-1	-1	US Libor-OIS Spread (bp)	23	-1	7
iTraxx Sovx CEEMEA	189	8	20	Euro Libor-OIS Spread (bp)	12	1	1
					<u>7-Jan</u>	<u>1W chg</u>	<u>1M chg</u>
				AUD/USD	0.708	-3.27%	-3.14%
				USD/CHF	1.007	-1.49%	-0.59%
				EUR/USD	1.078	-1.24%	-0.36%
				USD/SGD	1.437	-1.66%	-2.25%
Korea 5Y CDS	62	7	8	DJIA	16,907	-4.60%	-4.65%
China 5Y CDS	116	8	13	SPX	1,990	-4.24%	-4.18%
Malaysia 5Y CDS	193	11	13	MSCI Asiax	479	-3.91%	-5.11%
Philippines 5Y CDS	117	8	13	HSI	20,981	-4.63%	-5.51%
Indonesia 5Y CDS	242	9	13	STI	2,804	-2.91%	-3.33%
Thailand 5Y CDS	147	7	15	KLCI	1,668	-1.03%	-0.24%
				JCI	4,609	1.13%	1.94%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Ratings</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
06-Jan-16	Jiangsu NewHeadline Development Group Co	BB+/NR/BB+	USD200mn	3yr	6.20%
06-Jan-16	Korea Development Bank	AA-/Aa2/AA-	USD500mn	5yr	CT5+82.5bps
06-Jan-16	Korea Development Bank	AA-/Aa2/AA-	USD1bn	10yr	CT10+87.5bps
06-Jan-16	Swire Properties	A-/A2/A	USD500mn	10yr	CT10+147.5bps
06-Jan-16	AirAsia Berhad	NR/NR/NR	\$1bn	-	-
04-Jan-16	Development Bank of Singapore	NR/Aa2/AA-	SGD480mn	5yr	2.78%
14-Dec-15	Industrial & Commercial Bank of China Ltd, London Branch	A/A1/A	USD300mn	3yr	CT3+105bps

Source: OCBC, Bloomberg

Credit Headlines:

Keppel Corp ("KEP") and Sembcorp Industries ("SCI"): It is reported by Bloomberg that Sete Brasil is considering a bankruptcy filing. This could be decided during a shareholder's meeting to be held on 21/01/16. Sete Brasil orders are the biggest part (~at around 50%) of KEP and SCI existing order backlog. In addition, KEP and SCI have significant trade receivables due from Sete Brasil as Sete Brasil had been unable to make payments to KEP and SCI since November 2014. Though KEP and SCI have disclosed slowing the execution of their Sete Brasil contracts since mid-2015, they remain vulnerable to any restructuring that Sete Brasil might initiate. It should be noted that KEP and SCI (via SMM) have made significant investments into Brazil for the Sete Brasil contract, such as the joint venture shipyards they have in the country. We consider the deterioration of the Sete Brasil situation to be credit negative on both issuers, and will continue to monitor the situation closely. (Bloomberg, OCBC)

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Nicholas Koh Jun Ming

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
NicholasKoh@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.