

Apr 08, 2016

**Market Commentary:** The SGP swap curve was range bounded yesterday, with the short-end rates trading 2bps lower, while the belly-to-long-end rates traded 1bp-2bps higher. 10y UST decreased by 6bps to 1.69% as shares in the US and Europe fell in yesterday's trading. CDS prices also widened on on-going concerns about the global growth environment. The Itraxx Asia ex-Japan IG index opened at 148bps this morning, up 1bps from yesterday's close and continuing its widening trend for the week.

**New Issues:** Standard Chartered PLC priced a USD1.25bn 10-year bond at CT10+240bps, tightening from an initial guidance of CT10+250bps. The expected ratings for the issue is "BBB+/A1/A+". Japan Tobacco priced a two-part deal, with the USD750mn 5-year bond priced at CT5+82.5bps, and the USD500mn 10y-year bond priced at CT10+107.5bps. The initial guidance for the deals were CT5+105bps and CT10+130bps respectively. The expected ratings for the issue is "AA-/Aa3/NR".

**Rating Changes:** Moody's downgraded SOHO China Ltd's corporate family rating to "Ba3" from "Ba2", concluding the rating review initiated on 14 Mar 2016. The downgrade reflects Moody's expectation that SOHO China's credit metrics will remain weak for the next 12 – 18 months. Outlook is negative. Moody's has downgraded the insurance financial strength rating of China United SME Guarantee Corporation ("Sinoguarantee") to "Ba1" from "Baa3", at the same time downgrading to "Ba1" from "Baa3" the backed senior unsecured ratings of Golden Bauhinia Investment Holdings Co Ltd and BL Capital Holdings Ltd. This is due to the unconditional and irrevocable guarantee provided by Sinoguarantee. The rating action reflects an upcoming shareholding change, where China EXIM's stake will reduce to 7% from 9.75%, thereby being less involved in Sinoguarantee's business and operations compared to initial assumptions.

**Table 1: Key Financial Indicators**

	8-Apr	1W chg (bps)	1M chg (bps)		8-Apr	1W chg	1M chg
iTraxx Asiax IG	150	6	-1	Brent Crude Spot (\$/bbl)	39.43	-0.43%	-3.45%
iTraxx Sovx APAC	61	2	-11	Gold Spot (\$/oz)	1,238.85	1.81%	-2.76%
iTraxx Japan	84	-2	-2	CRB	166.84	-2.16%	-1.55%
iTraxx Australia	139	3	-8	GSCI	316.23	-2.22%	-1.36%
CDX NA IG	82	7	-16	VIX	16.16	15.84%	-13.44%
CDX NA HY	102	-1	1	CT10 (bp)	1.689%	-7.98	-21.68
iTraxx Eur Main	82	8	-10	USD Swap Spread 10Y (bp)	-13	-1	3
iTraxx Eur XO	333	28	-46	USD Swap Spread 30Y (bp)	-47	0	4
iTraxx Eur Snr Fin	103	12	1	TED Spread (bp)	40	-3	4
iTraxx Sovx WE	28	2	-4	US Libor-OIS Spread (bp)	25	1	2
iTraxx Sovx CEEMEA	154	6	-25	Euro Libor-OIS Spread (bp)	10	0	-4
					8-Apr	1W chg	1M chg
				AUD/USD	0.751	-2.16%	1.09%
				USD/CHF	0.956	0.19%	3.89%
				EUR/USD	1.137	-0.18%	3.21%
				USD/SGD	1.353	-0.18%	2.39%
Korea 5Y CDS	68	3	4	DJIA	17,542	-0.81%	3.41%
China 5Y CDS	128	6	-4	SPX	2,042	-0.87%	3.17%
Malaysia 5Y CDS	160	6	-13	MSCI Asiax	496	-1.02%	3.18%
Philippines 5Y CDS	107	1	-9	HSI	20,266	-2.58%	1.27%
Indonesia 5Y CDS	208	8	-10	STI	2,814	-0.96%	1.25%
Thailand 5Y CDS	133	4	-14	KLCI	1,724	0.39%	2.16%
				JCI	4,867	0.45%	1.17%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
07-Apr-16	Standard Chartered PLC	BBB+/A1/A+	USD1.25bn	10-year	CT10+250bps
07-Apr-16	Japan Tobacco	AA-/Aa3/NR	USD750mn	5-year	CT5+82.5bps
07-Apr-16	Japan Tobacco	AA-/Aa3/NR	USD500mn	10-year	CT10+107.5bps
06-Apr-16	Orix Corporation	A-/NR/A-	USD500mn	5-year	CT5+150bps
06-Apr-16	Mizuho Financial Group	A-/A1/NR	USD1.75bn	5-year	2.632%
06-Apr-16	Mizuho Financial Group	A-/A1/NR	USD500mn	5-year	3mL+148bps
06-Apr-16	Mizuho Financial Group	A-/A1/NR	USD1.75bn	10-year	3.477%
06-Apr-16	CK Hutchison	A-/A3/A-	EUR1.35bn	7-year	MS+110bps

Source: OCBC, Bloomberg

**Credit Headlines:**

Overseas Union Enterprise Ltd (“OUE”): OUE has just launched a new marketing campaign to clear unsold units in OUE Twin Peaks (80 out of 462 units sold) which will be subject to QC extension charges in February 2017. OUE has engaged 5 marketing agencies, is offering 15% discounts of the list price for “star buy” units at SGD2,300 psf (average SGD2,866 psf based on last 12 transactions), and is offering flexible payment schemes. Under a deferred payment scheme, buyers pay a 20% downpayment to secure the option to purchase (OTP), and pay the remaining 80% only two to three years later. Under a second scheme, buyers have an extended exercise period for the OTP of up to 30 December 2016. OUE has found it challenging moving units at Twin Peaks so far and we think the new marketing campaign could provide some much-needed sales momentum especially after the prices in the CCR region saw a slight rebound in 1Q2016 (+0.4% q/q) and the strong response to the launch of CapitaLand’s Cainhill Nine nearby. We maintain our Neutral issuer profile on OUE. (The Business Times, The Edge Property, OCBC)

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