

June 8, 2016

Market Commentary: The SGD swap curve steepened yesterday, with the short-term rates traded 2-3bps lower, while the long-term rates traded 1-2bps higher. Flows in the SGD corporates were heavy with mixed interest seen in SOCGEN 4.3%'26s, UOBSP 4%'49s, ABNANV 4.75%'26s, STANLN 4.4%'26s and FRESHK 4.25%'19s. In the broader dollar space, the spread on JACI IG corporates remains relatively unchanged at 225bps, while the yield on JACI HY corporates decreased by 5bps to 6.96%. 10y UST was levelled at 1.71%.

News Issues: ICBC Dubai priced a USD400m 5-year bond at CT5+140bps, tightening from its initial guidance of CT5+160bps. The expected ratings are "A/A1/NR". The Republic of Indonesia has priced a 2-tranche deal, with the EUR1.5bn 7-year bond priced at MS+260bps, tightening from its initial guidance of MS+280bps. Republic of Indonesia priced the other tranche of EUR1.5bn 12-year bond at MS+325bps, tightening from its initial guidance of MS+345bps. The expected ratings are "BB+/Baa3/BBB-". China State Construction Engineering Corp. Ltd. has priced a 2-tranche deal, with the USD500m 3-year bond priced at CT3+142.5bps, tightening from its initial guidance of CT3+165bps. The other tranche of USD500m 5-year bond was priced at CT5+152.5bps, tightening from its initial guidance of CT5+175bps. The expected ratings are "A/A2/A". ABC Leasing has scheduled investor meetings in Hong Kong, Singapore and London for potential USD bond issue from 8 June, 2016 onwards. SMBC Aviation has also scheduled for road show meetings over June 8-9 for a potential USD bond. The expected ratings are "BBB+/NR/BBB+".

Rating Changes: Moody's withdrew its credit rating on 1MDB Energy Ltd's senior unsecured note for its own business reason. The rating prior to withdrawal was "Aa2".

Table 1: Key Financial Indicators

| | <u>8-Jun</u> | <u>1W chg (bps)</u> | <u>1M chg (bps)</u> | | <u>8-Jun</u> | <u>1W chg</u> | <u>1M chg</u> |
|--------------------|--------------|---------------------|---------------------|----------------------------|--------------|---------------|---------------|
| iTraxx Asiax IG | 138 | -4 | -8 | Brent Crude Spot (\$/bbl) | 51.44 | 3.52% | 13.38% |
| iTraxx SovX APAC | 51 | -2 | -3 | Gold Spot (\$/oz) | 1,244.65 | 2.61% | -1.52% |
| iTraxx Japan | 66 | 0 | -12 | CRB | 192.43 | 3.37% | 6.96% |
| iTraxx Australia | 125 | -4 | -10 | GSCI | 382.37 | 3.08% | 9.06% |
| CDX NA IG | 74 | -4 | -10 | VIX | 14.05 | -0.99% | -4.55% |
| CDX NA HY | 103 | 1 | 2 | CT10 (bp) | 1.718% | -12.81 | -6.12 |
| iTraxx Eur Main | 73 | -2 | -6 | USD Swap Spread 10Y (bp) | -13 | 2 | 4 |
| iTraxx Eur XO | 316 | 0 | -14 | USD Swap Spread 30Y (bp) | -48 | 1 | 2 |
| iTraxx Eur Snr Fin | 94 | 1 | -4 | TED Spread (bp) | 39 | -1 | -4 |
| iTraxx Sovx WE | 26 | 1 | 0 | US Libor-OIS Spread (bp) | 27 | 4 | 2 |
| iTraxx Sovx CEMEA | 129 | -11 | -8 | Euro Libor-OIS Spread (bp) | 9 | 0 | 0 |
| | | | | | <u>8-Jun</u> | <u>1W chg</u> | <u>1M chg</u> |
| | | | | AUD/USD | 0.745 | 2.70% | 1.87% |
| | | | | USD/CHF | 0.965 | 2.36% | 0.61% |
| | | | | EUR/USD | 1.136 | 1.52% | -0.22% |
| | | | | USD/SGD | 1.352 | 1.86% | 1.48% |
| Korea 5Y CDS | 57 | -2 | -7 | DJIA | 17,938 | 0.85% | 1.11% |
| China 5Y CDS | 120 | -6 | -9 | SPX | 2,112 | 0.72% | 2.67% |
| Malaysia 5Y CDS | 155 | -8 | -7 | MSCI Asiax | 508 | 2.90% | 4.45% |
| Philippines 5Y CDS | 108 | -5 | -10 | HSI | 21,328 | 2.47% | 6.06% |
| Indonesia 5Y CDS | 185 | -10 | -7 | STI | 2,848 | 2.04% | 4.30% |
| Thailand 5Y CDS | 117 | -5 | -8 | KLCI | 1,661 | 2.13% | 0.68% |
| | | | | JCI | 4,934 | 2.86% | 2.31% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|-----------|--------------------------------------|---------------|----------|---------|--------------|
| 7-June-16 | ICBC Dubai | A/A1/NR | USD400mn | 5-year | CT5+140bps |
| 7-June-16 | Republic of Indoensia | BB+/Baa3/BBB- | EUR1.5bn | 7-year | MS+260bps |
| 7-June-16 | Republic of Indoensia | BB+/Baa3/BBB- | EUR1.5bn | 12-year | MS+325bps |
| 7-June-16 | China State Construction Engineering | A/A2/A | USD500mn | 3-year | CT3+142.5bps |
| 7-June-16 | China State Construction Engineering | A/A2/A | USD500mn | 5-year | CT5+152.5bps |
| 6-June-16 | Chip Eng Seng | NR/NR/NR | SGD500mn | 5-year | 4.75% |
| 6-June-16 | City Development Limited | NR/NR/NR | SGD150mn | 10-year | SOR10+106bps |
| 6-June-16 | CITIC Limited | A-/NR/NR | USD500mn | 5-year | CT5+155bps |

Source: OCBC, Bloomberg

Credit Headlines:

Financial Institutions: The Australian Securities and Investment Commission ('ASIC') has commenced formal civil legal proceedings against National Australia Bank Ltd (NAB) for allegedly manipulating the bank-bill swap rate, Australia's equivalent of LIBOR, 50 times between June 2010 and December 2012. The Australian Financial Review previously reported that civil actions carry a fine of AUD1mn per offense which could result in a potential fine for NAB of AUD50mn. Yesterday's action by ASIC follows similar actions commenced earlier this year against Westpac Banking Corp. in April and Australia and New Zealand Banking Group Ltd in March. (Bloomberg, AFR, OCBC)

Central China Real Estate Ltd ("Cenchi"): Cenchi reported contracted sales for May 2016 up 152% y/y to RMB2.6bn. We believe this was due to a large launch in Zhengzhou (Tihome Jianye International City which was estimated to bring in contracted sales of RMB1.1bn). 5M2016 contracted sales were RMB5.3bn, up 21.1% y/y. Contracted sales momentum has picked up in May and we believe this can continue going forward amid a supportive policy environment in lower tier cities. 5M2016 ASP was RMB6,948 per sqm, up 47.7% and indicating margin recovery in 2017. We have an Overweight on CENCHI 6.50% '17 (yield: 4.88%, i-spread: 343bps) which offer the highest yield/spread pick-up in the SGD property space at ~5% for 1-year risk. We are comfortable with the company's liquidity position with RMB8.7bn in cash and RMB57.6bn in undrawn banking facilities which should be sufficient to cover short-term debt (RMB1.7bn) and a slightly negative cash flow for 2016 (-RMB1.2bn). (Company, OCBC)

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