

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

	8-Jun	1W chg (bps)	1M chg (bps)		8-Jun	1W chg	1M chg
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 CEEMEA	129	-11	-8	Euro Libor-OIS Spread (bp)	9	0	0
					<b>8-Jun</b>	<b>1W chg</b>	<b>1M chg</b>
				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 Indonesia	BB+/Baa3/BBB-	EUR1.5bn	7-year	MS+260bps
7-June-16	Republic of Indonesia	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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