

September 8, 2016

Credit Headlines (Page 2 onwards): Olam International Ltd., China Vanke Co. Ltd., Pacific Radiance

Market Commentary: The SGD dollar swap curve traded sharply lower yesterday with swap rates trading 4-8bps lower across all tenors as recent weaker-than-expected US economic data continued to weigh on the US dollar. Flows in the SGD corporates were heavy with better buying seen in, GENSSP 5.125%'49s and better selling in, BNP 4.3%'25s. Meanwhile, we also saw mixed interest in NAB 4.15%'28s and GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG corporates increased by 2bps to 197bps while the yield on JACI HY corporates decreased 4bps to 6.37%. 10y UST yield was relatively unchanged at 1.53%. Goldman Sachs revised its view on the probability of a rate hike in September, lowering it from 55% to 40% given the recent soft NFP numbers, reversing its stance from a week back.

New Issues: Cikarang Listrindo Tbk PT has priced a USD550mn 10NC5 bond at 4.95% yesterday, tightening from its initial guidance at 5%. The expected issue ratings are "BB/Ba2/NR". NongHyup Bank has priced a USD500mn 5-year bond at CT5+85bps, tightening from its initial guidance at CT5+100bps. The expected issue ratings are "A+/A1/NR".

Rating Changes: Moody's has assigned a "Ba3" rating to Yestar International Holdings Co. Ltd.'s proposed senior notes with stable outlook. The rating assignment reflects Moody's expectation that the company's level of secured and subsidiary debt will stay low relative to its total assets over the next 12 months. Fitch has assigned a "BBB" rating to Xi'an Municipal Infrastructure Construction Investment Group Corp, Ltd.'s USD500mn 2.8%'19s bond. The rating assignment was mainly driven by the linkage with Xi'an Municipality and its credit worthiness. Fitch has also assigned a "BBB" rating to Chongqing Western Modern Logistics Industry Zone Development Construction Co. Ltd.'s USD500mn 3.25%'21s bond. Similarly, the rating assignment was driven by the linkage with Chongqing Municipality and its strong credit worthiness.

Table 1: Key Financial Indicators

| | 8-Sep | 1W chg (bps) | 1M chg (bps) | | 8-Sep | 1W chg | 1M chg |
|--------------------|-------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG | 107 | -7 | -8 | Brent Crude Spot (\$/bbl) | 48.66 | 7.06% | 7.20% |
| iTraxx SovX APAC | 35 | -3 | -9 | Gold Spot (\$/oz) | 1,345.40 | 2.40% | 0.76% |
| iTraxx Japan | 58 | 8 | 6 | CRB | 182.47 | -0.19% | -0.18% |
| iTraxx Australia | 95 | -5 | -8 | GSCI | 352.18 | -1.00% | 1.51% |
| CDX NA IG | 72 | -2 | 0 | VIX | 11.94 | -8.99% | 3.83% |
| CDX NA HY | 105 | 0 | 0 | CT10 (bp) | 1.537% | -3.07 | -5.46 |
| iTraxx Eur Main | 65 | -4 | 0 | USD Swap Spread 10Y (bp) | -15 | -2 | -4 |
| iTraxx Eur XO | 306 | -7 | -2 | USD Swap Spread 30Y (bp) | -53 | 0 | -7 |
| iTraxx Eur Snr Fin | 83 | -6 | -3 | TED Spread (bp) | 51 | 0 | -2 |
| iTraxx Sovx WE | 25 | 0 | 1 | US Libor-OIS Spread (bp) | 41 | 3 | 2 |
| iTraxx Sovx CEEMEA | 101 | -8 | -14 | Euro Libor-OIS Spread (bp) | 4 | -2 | -2 |
| | | | | | 8-Sep | 1W chg | 1M chg |
| | | | | AUD/USD | 0.768 | 1.64% | 0.31% |
| | | | | USD/CHF | 0.969 | 1.10% | 1.34% |
| | | | | EUR/USD | 1.124 | 0.42% | 1.41% |
| | | | | USD/SGD | 1.347 | 0.94% | -0.02% |
| Korea 5Y CDS | 40 | -3 | -5 | DJIA | 18,526 | 0.39% | -0.02% |
| China 5Y CDS | 94 | -6 | -10 | SPX | 2,186 | 0.46% | 0.24% |
| Malaysia 5Y CDS | 114 | -8 | -13 | MSCI Asiax | 561 | 3.46% | 3.99% |
| Philippines 5Y CDS | 84 | -5 | -8 | HSI | 23,742 | 3.33% | 5.54% |
| Indonesia 5Y CDS | 136 | -13 | -11 | STI | 2,894 | 2.59% | 0.80% |
| Thailand 5Y CDS | 80 | -3 | -8 | KLCI | 1,690 | 0.69% | 1.01% |
| | | | | JCI | 5,381 | -0.09% | -1.42% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|-----------|-----------------------------------|-------------|----------|---------|-------------|
| 7-Sep-16 | Cikarang Listrindo Tbk PT | "BB/Ba2/NR" | USD550mn | 10NC5 | 4.95% |
| 7-Sep-16 | NongHyup Bank | "A+/A1/NR" | USD500mn | 5-year | CT5+85bps |
| 6-Sep-16 | China South City | "BB/Ba2/NR" | USD200mn | 5NC3 | 6.75% |
| 6-Sep-16 | Korea Development Bank | "B-/NR/B" | USD500mn | 10-year | CT10+55bps |
| 6-Sep-16 | Korea Development Bank | "B-/NR/B" | USD500mn | 3-year | CT3+58bps |
| 2-Sep-16 | Xi'an Municipal | "NR/NR/BBB" | USD500mn | 3-year | 2.8% |
| 31-Aug-16 | United Overseas Bank Ltd. | "NR/A2/A+" | USD600mn | 10-year | CT10+170bps |
| 31-Aug-16 | Far East Consortium International | "NR/NR/NR" | USD300mn | 5-year | 3.75% |

Source: OCBC, Bloomberg

Credit Headlines:

Olam International Ltd (“Olam”): Olam has priced a 5 Year USD150mn fixed rate notes at 101.65 to yield 4.1%. This is a re-tap of its USD bond priced earlier in April 2021 at 4.5%. The bonds mature in April 2021 (Company, OCBC).

China Vanke Co Ltd (“VANKE”): VANKE has reportedly bought a commercial office building in Mayfair, London for GBP115mn (~SGD208mn). This transaction marks VANKE’s first commercial property exposure in London, having first invested in the residential property space. While the asset is small vis-à-vis VANKE’s total asset base of SGD144bn, there is yet disclosure as to whether the transaction will be satisfied via full cash or share consideration. VANKE is buying the office building from investment manager Henderson Global Investors (South China Morning Post, OCBC)

Pacific Radiance (“PACRA”): On 13/06/16, PACRA had first announced heading into arbitration with two Chinese shipyards over the construction of two Platform Support Vessels (“PSV”) which PACRA ordered in May 2013. PACRA had initiated the cancellation of the contracts after the shipyards failed to deliver the PSVs in accordance with their obligations under the contracts. Today, it was announced that the arbitration was complete, with the two shipyards settling by refunding PACRA’s pre-delivery installments of USD10.6mn These will be refunded within 60 calendar days, and hence will be reflected in 3Q2016 or 4Q2016. More importantly, PACRA will not have to take delivery of these two PSVs, allowing PACRA to conserve capital. We currently hold PACRA at Negative Issuer Profile. (Company, 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

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@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.

Co.Reg.no.:193200032W