

Feb 01, 2016

Market Commentary: The SGD swap curve traded 8bps-10bps lower last Friday. In the broader dollar space, JACI IG corporates spread tightened by 6bps to 236bps while the yield on the JACI HY corporates fell by 3bps to 8.33%. 10y UST yield fell by 6bps to 1.92%. Elsewhere, Lippo Karawaci received the quorum needed for their consent solicitation of USD250 7%'19s, USD403.31mn 6.125%'20s and USD150mn 7%'22s. Part of the terms for their consent solicitation includes the removal of substantially all of their restrictive covenants. Lippo Karawaci has also set a minimum YTM of 8.75% for the new 23's.

New Issues: HNA Group re-tapped their 8.125%'18s at a price of 99.5 for an additional USD35mn to yield 8.32%.

Credit Headlines:

China Vanke Co. Ltd ("Vanke"): Vanke gave notice for an EGM to be held on 17 Mar 2016 to consider and approve the resolution in relation to the application for continuing trading suspension of the company's A shares. Vanke's A shares (88% of outstanding shares) remain suspended while H shares (12% of outstanding shares) resumed trading on 6 Jan 2016 and have since plunged ~23%. Vanke recently said in a statement that the company is in negotiations for a potential transaction with potential parties and this should be announced on 17 Mar as well. We still believe the current situation is tilted in favour of Vanke. The long suspension will weigh on share financing costs for the Baoneng Group (24.26% stake) as the company funded the share acquisitions with leverage. A fall in the A shares when trading resumes will probably trigger margin calls (H shares have fallen 23%). We also think it is unlikely that Baoneng will attempt to take its stake over 30% and trigger a general offer the rest of Vanke shares due to the prohibitive costs (in fact they currently cannot do that due to the stock suspension). The SGD VANKE 3.275% '17s have widened 12bps (USD VANKE 2.625%'18s widened 14bps) since 18 Dec and we maintain our Overweight recommendation on the bonds. (Company, Reuters, OCBC)

Table 1: Key Financial Indicators

	1-Feb	1W chg (bps)	1M chg (bps)		1-Feb	1W chg	1M chg
iTraxx Asiax IG	151	-6	16	Brent Crude Spot (\$/bbl)	36.00	18.03%	-3.43%
iTraxx SovX APAC	77	-1	4	Gold Spot (\$/oz)	1,117.60	1.23%	5.32%
iTraxx Japan	83	-7	8	CRB	166.75	1.80%	-5.33%
iTraxx Australia	138	-6	12	GSCI	300.67	3.61%	-3.52%
CDX NA IG	101	-5	13	VIX	20.2	-9.58%	10.93%
CDX NA HY	100	1	-1	CT10 (bp)	1.921%	-13.10	-38.41
iTraxx Eur Main	92	-1	14	USD Swap Spread 10Y (bp)	-13	1	-4
iTraxx Eur XO	368	-6	53	USD Swap Spread 30Y (bp)	-48	-2	-8
iTraxx Eur Snr Fin	92	2	15	TED Spread (bp)	30	-2	-11
iTraxx Sovx WE	21	1	5	US Libor-OIS Spread (bp)	23	0	1
iTraxx Sovx CEEMEA	192	-7	8	Euro Libor-OIS Spread (bp)	14	0	5
					1-Feb	1W chg	1M chg
				AUD/USD	0.707	1.17%	-3.25%
				USD/CHF	1.025	-0.96%	-2.27%
				EUR/USD	1.082	0.08%	-0.29%
				USD/SGD	1.425	0.34%	-0.86%
Korea 5Y CDS	64	-3	8	DJIA	16,466	2.32%	-5.50%
China 5Y CDS	127	-4	18	SPX	1,940	1.75%	-5.07%
Malaysia 5Y CDS	182	-25	0	MSCI Asiax	462	1.90%	-7.66%
Philippines 5Y CDS	126	-5	17	HSI	19,683	3.16%	-10.18%
Indonesia 5Y CDS	234	-22	1	STI	2,629	2.02%	-8.80%
Thailand 5Y CDS	159	-5	18	KLCI	1,668	4.18%	-1.46%
				JCI	4,615	3.55%	0.48%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
29-Jan-16	Kookmin Bank	A/A1/A	USD500mn	5-year	MS+95bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	USD1bn	4-year	CT4+85bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	EUR1bn	2-year	MS+75bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD750mn	3-year	CT3+115bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD500mn	5-year	CT5+130bps
25-Jan-16	Housing Development Board of Singapore	Aaa/NR/NR	SGD1bn	7-year	2.5%
22-Jan-16	KEB Hana Bank	A/A1/A-	USD300mn	5-year	CT5+125bps
21-Jan-16	China Nonferrous Metal Co Ltd	Nr/NR/NR	USD500mn	3-year	CT3+145bps

Source: OCBC, Bloomberg

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