

Feb 10, 2016

**Market Commentary:** The SGD swap curve traded 3-4bps lower across the curve last Friday, with the exception of the 1-year swap rates which stayed unchanged. Trade flows were light in the SGD corporate space, where we saw mixed interest for the ABNANV 4.7%'22s. 10y UST yield decreased by 11bps from 5<sup>th</sup> February over the weekend to 1.72%.

**Rating Changes:** Moody's downgraded Sumitomo Corp to "Baa1" from "A3", citing that Sumitomo's 3Q results were "significantly weaker than expected". This may also cause Sumitomo's already high leverage to worsen further this fiscal year. Outlook is negative. Fitch upgraded Sony Corp's long term foreign and local currency issuer default ratings to "BB" from "BB-", reflecting Fitch's expectations of improved profitability in Sony's core electronics businesses. Fitch also expects Sony to further deleverage following the successful execution of its restructuring measures. Outlook is stable. S&P downgraded Toshiba Corp's long term foreign and local issuer credit default ratings to "B+" from "BB+". This is due to material downward revision of estimated operating performance in fiscal '15, which will likely further erode shareholders' equity. The ratings remain on CreditWatch negative. S&P downgraded Chesapeake Energy Corp by one level to "CCC" from "B". Outlook remains Negative. Chesapeake is the second-largest US gas producer. S&P opined that liquidity at the company is likely to be challenged, both from diminished cash flows and potential reduction in the company's borrowing base.

**Table 1: Key Financial Indicators**

	10-Feb	1W chg (bps)	1M chg (bps)		10-Feb	1W chg	1M chg
iTraxx Asiax IG	172	11	28	Brent Crude Spot (\$/bbl)	30.32	-7.33%	-9.63%
iTraxx SovX APAC	86	4	9	Gold Spot (\$/oz)	1,189.58	5.27%	7.74%
iTraxx Japan	101	12	20	CRB	156.58	-2.25%	-7.12%
iTraxx Australia	167	17	31	GSCI	280.61	-1.72%	-5.06%
CDX NA IG	120	12	21	VIX	26.54	20.75%	-1.74%
CDX NA HY	97	-2	-2	CT10 (bp)	1.733%	-15.33	-38.28
iTraxx Eur Main	120	16	34	USD Swap Spread 10Y (bp)	-10	4	5
iTraxx Eur XO	461	62	110	USD Swap Spread 30Y (bp)	-44	5	4
iTraxx Eur Snr Fin	134	30	54	TED Spread (bp)	32	3	-11
iTraxx Sovx WE	31	6	13	US Libor-OIS Spread (bp)	25	2	1
iTraxx Sovx CEEMEA	200	3	1	Euro Libor-OIS Spread (bp)	16	2	4
					10-Feb	1W chg	1M chg
				AUD/USD	0.707	0.24%	0.97%
				USD/CHF	0.973	4.41%	2.32%
				EUR/USD	1.129	3.26%	3.54%
				USD/SGD	1.398	2.38%	2.69%
Korea 5Y CDS	76	8	12	DJIA	16,014	-0.86%	-2.03%
China 5Y CDS	147	6	28	SPX	1,852	-2.67%	-3.63%
Malaysia 5Y CDS	200	7	-4	MSCI Asiax	456	1.79%	-2.63%
Philippines 5Y CDS	139	4	20	HSI	19,288	-2.01%	-5.70%
Indonesia 5Y CDS	258	12	11	STI	2,623	-0.22%	-4.65%
Thailand 5Y CDS	172	8	23	KLCI	1,662	-0.32%	0.29%
				JCI	4,769	3.11%	4.89%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
2-Feb-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD400mn	5-year	CT5+87.5bp
2-Feb-16	Westpac Banking Corp.	AA-Aa2/NR	CNH130mn	4-year	5.40%
1-Feb-16	HNA Group	NR/NR/NR	USD35mn	2-year	8.125%
29-Jan-16	Vista Land & Lifescapes Inc.	NR/NR/NR	USD125mn	6-year	7.375%
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

Source: OCBC, Bloomberg

## Credit Headlines:

Ascendas Hospitality Trust ("AHT"): According to a Bloomberg article citing people with knowledge of the matter, a third interested party has emerged for AHT. AHT currently has a market capitalization of SGD895.3mn. Varde Partners and Westmont Hospitality Group are reportedly planning to jointly submit a final bid for the trust. The Varde-led group bid will be up against competing offers from Blackstone Group LP and Gaw Capital Partners. Deadline for final offers is reportedly mid-February. AHT currently has one outstanding bond (SGD75mn ASCHTS 3.3% '20) issued out of its SGD1bn MTN programme in April last year. There is no change of control clause; as such in the event that AHT is majority controlled by the acquirer and remains listed then there will be no forced redemption of the bonds. However, if the trust is acquired outright and taken private or if there is a sale of a material portion of its assets (e.g. Australian assets which comprise ~70% of revenue and ~56% of NPI), the issuer will likely have to redeem the bonds. (Bloomberg, OCBC)

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