

Apr 13, 2016

Market Commentary: The SGD swap curve was range bound yesterday, with the short-end rates and the 20y rates trading 1bp-2bps lower, while the rest of the curve traded 1bp-2bps higher. Flows in the SGD corporate space was moderate, where we saw better buyers in the STANLN 4.4%'26s, ABNANV 4.75%'26s, GENSSP 5.125%'49s and mixed interest in AHCLSP 6.5%'19s. In the broader dollar space, the spread on the JACI IG corporates tightened 2bps to 232bps while the yield on the JACI HY corporates widened by 1bp to 7.57%. 10y UST yield increased by 5bps to 1.78%. This was driven by the rally in energy prices cooling demand for safe haven assets.

New Issues: Japan Bank for International Cooperation ("JBIC") priced a dual-tranche deal, with the USD1bn 5-year bond priced at MS+75bps and the USD1.5bn 10-year bond was priced at MS+80bps, tightening from an initial guidance of MS+80bps and MS+85bps respectively. The expected rating for the issue is "A+/A1/NR". Ichthys LNG, a venture of Japan's Inpex Corp and Total SA, is planning to issue a 12-year subordinated bond. Central Nippon Expressway Co Ltd is planning to issue a ~USD600mn 5-year bond with an initial guidance of MS+110bps. The expected rating for the issue is "NR/A1/NR".

Rating Changes: Fitch affirmed China-based homebuilder Sunshine 100 China Holdings Ltd's ("Sunshine 100") long-term foreign-currency issuer default rating at "B-". The outlook is revised to negative from positive, reflecting significant headwinds for the homebuilder as slower growth in housing sales resulted in insufficient cash flow to support the expansion of its commercial property business. S&P revised the outlook on Japan-based apparel retailer Fast Retailing Co Ltd to stable from positive. The outlook revision reflects Fast Retailing's revised guidance for its consolidated performance for fiscal year 2016, which falls short of S&P's previous assumptions; poor performance of its domestic and overseas UNIQLO business; and a tough competitive environment hampering recovery of its profitability.

Table 1: Key Financial Indicators

	13-Apr	1W chg (bps)	1M chg (bps)		13-Apr	1W chg	1M chg
iTraxx Asiax IG	142	-3	8	Brent Crude Spot (\$/bbl)	44.29	11.17%	9.66%
iTraxx SovX APAC	58	-2	-7	Gold Spot (\$/oz)	1,254.52	2.39%	-0.12%
iTraxx Japan	81	-6	5	CRB	175.49	6.21%	1.13%
iTraxx Australia	139	-1	10	GSCI	341.58	10.04%	3.07%
CDX NA IG	80	2	-5	VIX	14.85	-3.70%	-10.00%
CDX NA HY	103	0	0	CT10 (bp)	1.774%	1.94	-20.96
iTraxx Eur Main	77	0	5	USD Swap Spread 10Y (bp)	-14	-1	2
iTraxx Eur XO	329	13	14	USD Swap Spread 30Y (bp)	-47	0	3
iTraxx Eur Snr Fin	99	1	21	TED Spread (bp)	41	-1	9
iTraxx Sovx WE	28	1	0	US Libor-OIS Spread (bp)	25	0	2
iTraxx Sovx CEEMEA	141	-11	-25	Euro Libor-OIS Spread (bp)	10	0	-1
					13-Apr	1W chg	1M chg
				AUD/USD	0.768	1.83%	1.78%
				USD/CHF	0.956	0.47%	3.32%
				EUR/USD	1.138	0.24%	2.37%
				USD/SGD	1.345	0.81%	2.19%
Korea 5Y CDS	62	-4	2	DJIA	17,721	0.67%	2.95%
China 5Y CDS	120	-3	5	SPX	2,062	0.81%	1.95%
Malaysia 5Y CDS	150	-4	-3	MSCI Asiax	502	1.41%	2.98%
Philippines 5Y CDS	99	-5	-3	HSI	20,504	1.62%	1.51%
Indonesia 5Y CDS	200	-2	10	STI	2,815	0.12%	-0.50%
Thailand 5Y CDS	124	-4	-7	KLCI	1,715	-0.12%	1.09%
				JCI	4,830	-0.59%	0.33%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Apr-16	Japan Bank for International Cooperation	A+/A1/NR	USD1bn	5-year	MS+75bps
12-Apr-16	Japan Bank for International Cooperation	A+/A1/NR	USD1.5bn	10-year	MS+80bps
11-Apr-16	Korea Resources	A-/Aa2/NR	USD500mn	5-year	CT5+110bps
07-Apr-16	Standard Chartered PLC	BBB+/A1/A+	USD1.25bn	10-year	CT10+250bps
07-Apr-16	Japan Tobacco	AA-/Aa3/NR	USD750mn	5-year	CT5+82.5bps
07-Apr-16	Japan Tobacco	AA-/Aa3/NR	USD500mn	10-year	CT10+107.5bps
06-Apr-16	Orix Corporation	A-/NR/A-	USD500mn	5-year	CT5+150bps
06-Apr-16	Mizuho Financial Group	A-/A1/NR	USD1.75bn	5-year	2.632%

Source: OCBC, Bloomberg

Credit Headlines:

Central China Real Estate ("CENCHI"): CENCHI has fixed the coupon for its RMB1bn (over-allotment option of RMB2bn) 5NP3 onshore bond at 6% coming in at the slightly wide end of the 5-6.5% range that was indicated. That said, the 6% coupon was still generally in line with the 5-7% levels that its HY peers have been pricing onshore bonds and 4-5% for the larger benchmark issuers. The levels also represent a substantial reduction in funding costs compared to the offshore market (8.75% from a USD300mn offshore bond done in April last year and 10.75% from its SGD 2016s maturing this month). (Company, OCBC)

DBS Group Holdings ("DBS"): DBS announced that it will be calling two of its old-style upper tier 2 bonds upon the call date in July. The bonds are the SGD500mn 4.47% 2021s and the USD900mn (USD350mn outstanding) 3ML+61bps 2021. These were grandfathered securities that were receiving increasingly less weightage when used in calculating capital ratios. In addition, DBS priced a HKD1,291mn (~SGD225mn) 3.24% 10NC5 Tier 2 bond maturing 2026. This was at a spread of 190bps above HKD 5Y swaps. (Bloomberg, SGX)

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