

June 13, 2016

Market Commentary: The SGD swap curve was range-bound last Friday, with the short-end rates trading 1-2bps higher, the middle term rates 1-2bps lower while the longer-end traded 2bps higher. Flows in SGD corporates were light with better buying in STANLN 4.4%'26s and mixed interest in MFCCN 3.85%'26s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 225bps while the yield on JACI HY corporates decreased by 1bps to 6.93%. 10y UST yield decreased by 4bps to 1.64%, reaching session lows following University of Michigan's June consumer sentiment survey indicated expected inflation during the next 5-10 years fell to a record low at 2.3% and as BREXIT and global growth anxiety mounts.

News Issues: Hua Han Health Industry Holdings Ltd. priced a USD150mn 3-year bond at 7%. The bond is rated "BB-/Ba3/BB-".

Rating Changes: Moody's affirmed its "A1" credit rating on Daiichi Sankyo Company Limited (Pharmaceuticals) and revised its outlook to negative from stable. The revision reflects Moody's expectation of a material decline in revenues and profits in FY2017 as a result of the loss of exclusivity of the Olmesartan family of products in the US the previous year. Moody's downgraded its senior secured rating on Newcastle Coal Infrastructure Group Pty Ltd. (NCIG) to "Ba1" from "Baa3". The downgrade follows NCIG's announcement of the deferral of its proposed refinancing and capital simplification transaction. S&P affirmed its "BBB" credit rating on Japan-based general trading and investment company (GTIC) Marubeni Corp. and removed the ratings from CreditWatch with negative implications. The outlook is negative.

Table 1: Key Financial Indicators

	13-Jun	1W chg (bps)	1M chg (bps)		13-Jun	1W chg	1M chg
iTraxx Asiax IG	144	6	-1	Brent Crude Spot (\$/bbl)	50.19	-0.71%	4.93%
iTraxx SovX APAC	53	1	-1	Gold Spot (\$/oz)	1,277.35	2.57%	0.31%
iTraxx Japan	69	2	-4	CRB	192.89	2.24%	5.66%
iTraxx Australia	127	1	-8	GSCI	381.26	1.94%	5.40%
CDX NA IG	79	4	-4	VIX	17.03	26.43%	13.23%
CDX NA HY	103	0	1	CT10 (bp)	1.622%	-11.52	-7.86
iTraxx Eur Main	78	5	1	USD Swap Spread 10Y (bp)	-12	0	1
iTraxx Eur XO	334	15	10	USD Swap Spread 30Y (bp)	-47	-1	0
iTraxx Eur Snr Fin	101	6	3	TED Spread (bp)	41	1	3
iTraxx Sovx WE	27	1	1	US Libor-OIS Spread (bp)	26	0	2
iTraxx Sovx CEEMEA	127	-4	-7	Euro Libor-OIS Spread (bp)	9	0	0
					13-Jun	1W chg	1M chg
				AUD/USD	0.738	0.14%	1.44%
				USD/CHF	0.965	0.62%	1.13%
				EUR/USD	1.124	-1.00%	-0.59%
				USD/SGD	1.361	-0.37%	0.84%
Korea 5Y CDS	61	0	-4	DJIA	17,865	0.33%	1.88%
China 5Y CDS	125	4	-3	SPX	2,096	-0.15%	2.42%
Malaysia 5Y CDS	164	7	5	MSCI Asiax	502	0.41%	4.93%
Philippines 5Y CDS	113	5	-2	HSI	21,043	0.88%	6.71%
Indonesia 5Y CDS	195	7	8	STI	2,823	0.49%	3.22%
Thailand 5Y CDS	119	-1	-7	KLCI	1,641	0.29%	0.80%
				JCI	4,848	-0.12%	1.81%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
10-June-16	Hua Han Health Industry Holdings Ltd.	BB-/Ba3/BB-	USD150mn	3-year	7%
8-June-16	Samvardhana Motherson Automotive	BB+/NR/NR	USD300mn	5NC3	4.875%
8-June-16	Sultanate of Oman	BBB-/Baa1/NR	USD1bn	7-year	MS+245bps
8-June-16	Sultanate of Oman	BBB-/Baa1/NR	USD1.5bn	12-year	MS+320bps
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

Source: OCBC, Bloomberg

Credit Headlines:

China Vanke Co. Ltd ("Vanke"): According to the South China Morning Post, Vanke has signed 4 memoranda of understanding (MOU) including one with 100% Shenzhen SASAC-owned Shenzhen Metro Group. The other 3 MOUs were entered into with Dongguan Industrial Investment Holding Group, Chongqing City Transportation Development and Investment Group and China Metro Group. The MOUs are non-binding in nature and are essentially to develop projects along railway lines in various cities in China namely Shenzhen, Dongguan and Chongqing. Vanke is due to resume trading of its A shares in 5 days as the company looks to fend off a unsolicited stake buildup by the Baoneng Group (26.7% of Vanke's A shares) via what we believe might be a substantially equity-funded purchase of RMB40-60bn worth of assets from Shenzhen Metro Group in order to dilute Baoneng Group's stake. Vanke's H shares and USD bonds have since recovered from the initial wobble after the announcement of the Shenzhen Metro MOU. We have a positive issuer profile on Vanke and an Overweight on the VANKE 3.275% '17s. (South China Morning Post, OCBC)

Sembcorp Industries ("SCI") / Sembcorp Marine ("SMM"): Perisai Petroleum Teknologi Bhd ("PPT") announced that it had reached an agreement to further delay its second jack-up rig order from PPL Shipyard (wholly-owned by SMM). The jack-up rig had a contract value of USD208mn and was originally scheduled to be delivered in April 2015. It was then rescheduled to be delivered on end March 2016 and now further rescheduled to be delivered on end October 2016. PPT also reported that both parties agreed that PPT will not have to bear the cost of this extension till October 2016. Additionally, both parties have agreed to take the opportunity to seek and evaluate any options that may arise during this period. Separately, SMM announced last week that it had agreed to extend the standstill agreement it currently has with North Atlantic Drilling, with regards to the West Rigel semi-submersible drilling rig. The West Rigel, with a contract value of ~USD568mn, was scheduled for delivery by 4Q2015, and had a balance of USD455mn due to SMM upon the delivery of the rig. The original standstill agreement (announced in December 2015) was supposed to lapse in June 2016. It has now been extended till 02/09/16. The other terms remain the same. In the event that no employment of the rig is secured, nor an alternative transaction completed, SMM would enter into a JV with North Atlantic Drilling, with SMM owning 77% of the rig. This is consistent with our view that SMM would continue to face contract deferments by customers given the challenging environment. We will retain SCI's Issuer Profile at Neutral. (Company, OCBC)

Ezra Holdings ("EZRA"): It was announced that EZRA has entered into a conditional framework with Nippon Yusen Kabushiki Kaisha ("NYK") for the sale of 10ppt of the EMAS CHIYODA JV (which holds EZRA's subsea division). The other JV partner, Chiyoda Corp ("CHIYODA") will also be making a 15ppt sale of the JV to NYK. Post the transaction, EZRA, Chiyoda and NYK would own 40%, 35% and 25% respectively of the EMAS Chiyoda JV. EZRA would receive USD36mn in cash from NYK for its 10ppt stake sale of the EMAS CHIYODA JV. EZRA estimates that the transaction would result in an aggregate net loss of USD8.2mn as the transaction was done below book value, and that it would have an revaluation of EZRA's existing 40ppt stake in the JV. It is worth noting that EZRA would use the proceeds to extend a USD36mn shareholder loan to the EMAS CHIYODA JV post closing. The long stop date for the transaction is 30/09/16. NYK is one of the world's largest shipping lines, generating USD19bn in annual revenue. It is worth noting that both NYK and CHIYODA are part of the Mitsubishi conglomerate. EZRA believes that the transaction would help improve the JV's scale, broaden the JV's network of clients, partners and vendors as well as strengthen the financial position of the JV. In aggregate, we believe the transaction to be a credit positive for EZRA and will review EZRA's Negative Issuer Profile for potential changes. We will also retain our Overweight recommendation on the EZRAS '18s. (Company, OCBC)

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