

Apr 14, 2016

Market Commentary: The SGD swap curve bear-steepened yesterday, with the short-end rates trading 2bps–4bps higher, while belly-to-long-end rates traded 5bps–7bps higher. Flows in the SGD corporates space were heavy, where we saw better buyers of GENSSP 5.125%’49s, STANLN 4.4%’26s, better sellers of FCLSP 5%’49s, FCLSP 4.88%’49s and mixed interests in the ABNAV 4.75%’26s, TSHSP 4.5%’19s and HACLSP 6.5%’19s. In the broader dollar space, the spread on the JACI IG corporates tightened 2 bps to 230bps while the yield on the JACI HY corporates decreased by 6bps to 7.51%. 10y UST yield decreased by 1bp to 1.76% despite equity markets ending yesterday’s sessions on a strong note.

New Issues: China Vanke Co. Ltd issued HKD1.375bn in 2.5% guaranteed notes due 2019 with the notes rated “BBB/Baa2/BBB+”. Central Nippon Expressway Co Ltd priced a two-part deal, with the USD250mn 5-year floating rate tranche priced at 3mL+107bps and the USD350mn 5-year fixed rate tranche priced at 2.293% (CT5+107bps). The initial guidance for the tranches are 3mL+110bps and CT5+110bps respectively, with an expected rating of “NR/A1/NR”. Sunshine Life Insurance Corp priced a three-part deal, with the USD500mn 3-year tranche priced at CT3+165bps, the USD700mn 5-year tranche priced at CT5+197.5bps and the USD300mn 10-year tranche priced at CT10+282.5bps. The initial guidance for the tranches are CT3+190bps, CT5+220bps and CT10+310bps respectively, with the expected rating for the issue being “NR/Baa1/NR”. Yunnan Energy Investment Finance Co. is holding investor meetings in Hong Kong, Singapore and London for a potential USD Reg S bond.

Rating Changes: S&P downgraded AEON Credit Service Asia Co Ltd (“ACSA”) to “BBB” from “BBB+”, as S&P believes that the company’s parent, AEON Financial Service (“AFS”) Group, faces heightened economic risk following its growing exposure to developing countries over the past few years. S&P views ACSA as a core subsidiary of AFS, and the ratings on ACSA continues to hinge on S&P’s rating expectations for the parent group. Outlook is stable.

Table 1: Key Financial Indicators

	14-Apr	1W chg (bps)	1M chg (bps)		14-Apr	1W chg	1M chg
iTraxx Asiax IG	138	-12	4	Brent Crude Spot (\$/bbl)	44.18	10.89%	9.38%
iTraxx SovX APAC	56	-4	-9	Gold Spot (\$/oz)	1,241.43	0.33%	-1.16%
iTraxx Japan	78	-6	2	CRB	175.65	4.85%	1.90%
iTraxx Australia	135	-4	6	GSCI	341.98	7.68%	4.54%
CDX NA IG	79	-3	-6	VIX	13.84	-1.77%	-18.20%
CDX NA HY	103	1	0	CT10 (bp)	1.769%	8.02	-19.01
iTraxx Eur Main	74	-7	2	USD Swap Spread 10Y (bp)	-14	-1	2
iTraxx Eur XO	314	-19	-1	USD Swap Spread 30Y (bp)	-47	0	4
iTraxx Eur Snr Fin	94	-9	17	TED Spread (bp)	40	0	9
iTraxx Sovx WE	28	0	--	US Libor-OIS Spread (bp)	25	0	3
iTraxx Sovx CEEMEA	136	-18	-30	Euro Libor-OIS Spread (bp)	10	0	-1
					14-Apr	1W chg	1M chg
				AUD/USD	0.765	1.30%	1.43%
				USD/CHF	0.967	-1.01%	2.10%
				EUR/USD	1.127	-0.88%	1.44%
				USD/SGD	1.358	-0.56%	1.21%
Korea 5Y CDS	61	-7	1	DJIA	17,908	1.09%	3.94%
China 5Y CDS	118	-9	3	SPX	2,082	0.76%	3.11%
Malaysia 5Y CDS	146	-14	-7	MSCI Asiax	510	2.96%	3.85%
Philippines 5Y CDS	97	-10	-5	HSI	21,159	4.71%	3.54%
Indonesia 5Y CDS	196	-13	5	STI	2,890	2.82%	1.52%
Thailand 5Y CDS	121	-12	-10	KLCI	1,723	0.36%	1.34%
				JCI	4,853	-0.31%	-0.50%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Apr-16	China Vanke Co Ltd	BBB/Baa2/BBB+	HKD1.375bn	3-year	2.5%
13-Apr-16	Central Nippon Expressway Co Ltd	NR/A1/NR	USD250mn	5-year	3mL+107bps
13-Apr-16	Central Nippon Expressway Co Ltd	NR/A1/NR	USD350mn	5-year	CT5+107bps
13-Apr-16	Sunshine Life Insurance Corporation	NR/Baa1/NR	USD500mn	3-year	CT3+165bps
13-Apr-16	Sunshine Life Insurance Corporation	NR/Baa1/NR	USD700mn	5-year	CT5+197.5bp
13-Apr-16	Sunshine Life Insurance Corporation	NR/Baa1/NR	USD300mn	10-year	CT10+282.5bps
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

Source: OCBC, Bloomberg

Credit Headlines:

Ezra Holdings ("EZRA"): EZRA announced that it has successfully completed its second round of consent solicitation. As a reminder, EZRA sought to include a cure mechanism for its interest coverage covenant, as well as to obtain a waiver for any defaults arising from its 2QFY2016 performance (which will be announced on 15/04/16). EZRA also successfully closed the Chiyoda JV transaction on 31/03/16, which provided EZRA with fresh liquidity. We are currently Negative on EZRA's Issuer Profile rating, and are Overweight the EZRASP'18s on valuation. (Company, OCBC).

Citic Envirotech Ltd ("CEL"): CEL announced that it has secured its first BOT sludge treatment project in Weifang City, Shandong Province, China. The project has a concession period of 30 years, with a total investment of RMB220m (~SGD48m). The 700 tons/day plant will treat sludge generated from 6 municipal wastewater treatment plants in Weifang City (population estimate: 9.3m). We expect that the project will only start contributing to cash flow from operations in 2HFY2017, assuming a 12 month construction period. (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

Nicholas Koh Jun Ming

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
NicholasKoh@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.