

July 14, 2016

**Market Commentary:** The SGD dollar swap curve traded downward yesterday, with the swap rates traded 1-4bps lower across all tenors. Flows in the SGD corporates' space were heavy with better buying seen in SOCGEN 4.3%'26s and BAERVX 5.9%'49s while mixed interests were seen in NAB 4.15%'28s, UCGIM 5.5%'23s and ABNANV 4.75%'26s. In the broader dollar space, the spread on JACI IG corporates decreased by 3bps to 218bps while the yield on JACI HY corporates decreased by 3bps to 6.46%. 10y UST yield decreased by 4bps to 1.47%.

**New Issues:** Zurich Insurance Co. has priced a USD1bn Perp-NC5 bond at 4.75%, tightening from its initial guidance of 5/5.25%. The expected ratings for the issue are "AA-/Aa3/NR". Dai-ichi Life has priced a USD2.5bn Perp-NC10 bond at 4%, (if not called, coupon steps up to 3mL+366bps) tightening from its initial guidance of 4.375-4.5%. The expected ratings for the issue are "A-/NR/A-". Regal Hotels International Holdings Ltd. has priced a USD350mn 5-year bond at 3.88%, tightening from its initial guidance of 4.25%. Olam International Ltd. has priced a USD500mn Perp-NC5 at 5.35%, tightening from its initial price guidance at 5.5%. ONGC Videsh Ltd. has scheduled investor meetings from 14 July onwards for a potential USD bond issuance.

**Rating Changes:** S&P upgraded China Three Gorges Corp.'s (CTG) corporate credit rating to "A+" from "A" with negative outlook. The upgrade reflects CTG's established track record of fulfilling essential social policy functions for the government which S&P believes is increasingly important to the national energy strategy and increasing the likelihood that CTG will receive extraordinary government support if the company comes under financial stress. The negative outlook reflects the outlook on the sovereign. S&P affirmed Crown Resorts Ltd.'s (Crown) corporate credit rating of "BBB" and revised its outlook to stable from negative, removing it from CreditWatch with negative implications that was placed on 16 June, 2016. The affirmation reflects that the quality of cash flows generated from Crown's Australian assets are able to broadly offset the loss of scale and diversification following the demerger of the group's international assets. S&P has revised its outlook on China Travel Service Holdings (HK) Ltd. to positive from stable for its "BBB" credit rating. Moody's has placed West China Cement Ltd.'s (WCC) "Baa3" corporate family rating on review for downgrade, reflecting concern about WCC's credit profile which could be weaker than expected owing to on-going and challenging industry conditions.

**Table 1: Key Financial Indicators**

	14-Jul	1W chg (bps)	1M chg (bps)		14-Jul	1W chg	1M chg
iTraxx Asiax IG	125	-15	-26	Brent Crude Spot (\$/bbl)	46.26	-5.20%	-8.12%
iTraxx Sovx APAC	49	-5	-7	Gold Spot (\$/oz)	1,345.51	-1.10%	4.65%
iTraxx Japan	53	-15	-20	CRB	188.59	-0.72%	-1.88%
iTraxx Australia	113	-12	-19	GSCI	358.09	-2.15%	-6.09%
CDX NA IG	71	-5	-13	VIX	13.04	-12.83%	-36.39%
CDX NA HY	105	2	3	CT10 (bp)	1.474%	10.61	-13.53
iTraxx Eur Main	72	-10	-15	USD Swap Spread 10Y (bp)	-14	-4	-1
iTraxx Eur XO	324	-42	-48	USD Swap Spread 30Y (bp)	-45	-4	4
iTraxx Eur Snr Fin	98	-19	-16	TED Spread (bp)	38	-1	-2
iTraxx Sovx WE	31	-2	1	US Libor-OIS Spread (bp)	28	0	2
iTraxx Sovx CEEMEA	119	-8	-17	Euro Libor-OIS Spread (bp)	7	0	-2
					14-Jul	1W chg	1M chg
				AUD/USD	0.760	1.58%	3.25%
				USD/CHF	0.984	-0.56%	-2.12%
				EUR/USD	1.110	0.33%	-0.96%
				USD/SGD	1.347	0.18%	0.56%
Korea 5Y CDS	48	-6	-16	DJIA	18,372	2.53%	3.95%
China 5Y CDS	113	-10	-19	SPX	2,152	2.51%	3.72%
Malaysia 5Y CDS	133	-24	-40	MSCI Asiax	517	2.85%	5.28%
Philippines 5Y CDS	102	-8	-17	HSI	21,322	4.04%	4.59%
Indonesia 5Y CDS	163	-24	-40	STI	2,911	1.61%	5.14%
Thailand 5Y CDS	103	-11	-21	KLCI	1,660	0.34%	2.11%
				JCI	5,134	3.09%	6.48%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
13-June-16	Zurich Insurance Co.	"AA-/Aa3/NR"	USD1bn	Perp-NC5	4.75%
13-June-16	Dai-ichi Life	"A-/NR/A-"	USD2.5bn	Perp-NC10	4%
13-June-16	Regal Hotels International Holdings	"NR/NR/NR"	USD350mn	5-year	3.88%
13-June-16	Olam International Ltd.	"NR/NR/NR"	USD500mn	Perp-NC5	5.35%
12-June-16	SMBC Aviation	"BBB+/NR/BBB+"	AUD500mn	3-year	Swap+117bps
12-June-16	SMBC Aviation	"BBB+/NR/BBB+"	USD500mn	5-year	CT5+160bps
12-June-16	Cooperative Rabobank UA	"A+/Aa2/AA-"	USD300mn	5-year	MS+95bps
12-June-16	KT Corp.	"A-/Baa1/A-"	USD400mn	10-year	CT10+110bps

Source: OCBC, Bloomberg

## Rating Changes (Cont'd):

Moody's has assigned a "B1" corporate family rating to Soechi Lines Tbk. (Soechi, global shipping). The rating assignment reflects Soechi's solid market position in Indonesia's domestic oil & gas shipping sector, the visibility of revenues driven by its use of long-term charter contracts and its longstanding relationship with Pertamina, the national oil company of Indonesia. Moody's downgraded Boart Longyear Ltd.'s (Boart) corporate family rating to "Caa2" from "Caa1" with negative outlook. The downgrade reflects the on-going pressure in the mining industry, which continues to face a low price environment, reduced exploration budgets and reductions in capital expenditures and new project development.

## Credit Headlines:

Soilbuild REIT ("SBREIT"): SBREIT reported its 1HFY2016 results yesterday. Gross revenue increased by 3.9% to SGD39.7mn (1HFY2015: SGD38.2mn) while Net Property Income ("NPI") increased 6.2%. This was on the back of revenue from Technics amounting to SGD3.2mn and improvement at Solaris of SGD0.3m (which was more than sufficient to offset weaknesses at other properties). Whilst SBREIT is still able to recognize revenue from Technics and have successfully drawn down on its security deposit, the REIT has an on-going legal proceeding against the tenant and guarantor at Technics building to claim rent in arrears and other sums. Taking out the effect of Technics, we find gross revenue to have reduced to SGD36.5mn. In 1H2016, SBREIT reported cash flow from operations (pre-interest expense) of SGD40.1mn, a marked increase from 1H2015's SGD33mn due to the receipt of SGD11.8mn in rental deposits in relation to Technics. Aggregate leverage at SBREIT remains stable at 35.9% (31 March 2016: 36%). Portfolio occupancy was 92% as at 30 June 2016 falling from 99.8% as at 30 June 2015 attributable to the fall in occupancy at West Park BizCentral, a multi-tenanted property which contributed ~25% to gross revenue in 2QFY2016. (Company, OCBC)

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Ezien Hoo, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

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