

July 15, 2016

Market Commentary: The Singapore dollar swap curve was range-bounded yesterday as the market was closed most of the day due to a technical glitch. Swap rates traded within the range of +/- 1bps across all tenors. Flows in the SGD corporates' were light with mixed interests seen in GENSSP 5.13%'49s and GALVSP 5.9%'17s. In the broader dollar space, the spread on JACI IG corporates remains relatively unchanged at 218bps while the yield on JACI HY corporates decreased lightly by 1bps to 6.45%. 10y UST yield increased by 6bps to 1.54%.

New Issues: ICBC Ltd. has priced a USD1bn AT1 Perp-NC5 bond at 4.25%, tightening from its initial guidance of 4.75%. The expected issue ratings are "NR/A2/A". Link REIT has priced a USD500mn 10-year bond at CT10+145bps, tightening from its initial guidance of CT10+165bps. The expected issue ratings are "A/A2/NR".

Rating Changes: S&P upgraded TFS Corp.'s corporate credit rating to "B+" from "B" with a stable outlook. The upgrade reflects S&P's view that the company's business profile has improved due to the significant increase in harvest yields and that the company will be a reliable supplier of Indian sandalwood products. Moody's upgraded Renhe Commercial Co. Ltd.'s corporate family rating to "B3" from "Caa1" with a stable outlook. The upgrade reflects Moody's expectation of alleviated liquidity pressure from a disposal. Moody's has affirmed Chugoku Bank Ltd.'s issuer ratings but downgraded Chugoku Bank Ltd.'s baseline credit assessment (BCA) to "a3" from "a2" with a stable outlook. No further information was furnished. The rating affirmation incorporates Moody's assumption of a very high likelihood of government support for the bank in case of stress. Chugoku's BCA rating reflects (1) the bank's strong capital despite being pressured; (2) strong overall asset risk profile despite rapid loan growth and its moderate exposure to market risk; (3) weak but stable profitability with no net losses recorded to date; and (4) solid liquidity profile.

Table 1: Key Financial Indicators

	15-Jul	1W chg (bps)	1M chg (bps)		15-Jul	1W chg	1M chg
iTraxx Asiax IG	121	-14	-26	Brent Crude Spot (\$/bbl)	47.37	2.09%	-4.94%
iTraxx SovX APAC	47	-6	-7	Gold Spot (\$/oz)	1,335.49	-2.26%	3.39%
iTraxx Japan	53	-15	-16	CRB	190.10	2.37%	-0.86%
iTraxx Australia	110	-15	-21	GSCI	362.25	1.96%	-3.70%
CDX NA IG	71	-2	-14	VIX	12.82	-13.14%	-36.35%
CDX NA HY	105	1	3	CT10 (bp)	1.519%	16.06	-5.35
iTraxx Eur Main	70	-6	-16	USD Swap Spread 10Y (bp)	-15	-4	-2
iTraxx Eur XO	317	-23	-55	USD Swap Spread 30Y (bp)	-46	-4	3
iTraxx Eur Snr Fin	96	-10	-20	TED Spread (bp)	37	-1	-2
iTraxx Sovx WE	26	-6	-3	US Libor-OIS Spread (bp)	28	0	0
iTraxx Sovx CEEMEA	117	-6	-16	Euro Libor-OIS Spread (bp)	6	-1	-2
					15-Jul	1W chg	1M chg
				AUD/USD	0.762	0.62%	2.82%
				USD/CHF	0.982	0.17%	-2.06%
				EUR/USD	1.111	0.53%	-1.33%
				USD/SGD	1.344	0.19%	0.67%
Korea 5Y CDS	48	-6	-15	DJIA	18,506	3.41%	4.91%
China 5Y CDS	111	-10	-18	SPX	2,164	3.14%	4.45%
Malaysia 5Y CDS	128	-21	-40	MSCI Asiax	521	4.07%	5.61%
Philippines 5Y CDS	100	-8	-17	HSI	21,561	4.12%	5.34%
Indonesia 5Y CDS	159	-20	-41	STI	2,907	1.56%	4.78%
Thailand 5Y CDS	99	-9	-23	KLCI	1,655	0.25%	1.65%
				JCI	5,084	1.33%	5.58%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
14-June-16	ICBC Ltd.	"NR/A2/A"	USD1bn	Perp-NC5	4.25%
14-June-16	Link REIT	"A/A2/NR"	USD500mn	10-year	CT10+145bps
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

Source: OCBC, Bloomberg

Credit Headlines:

Yanlord Land Group ("Yanlord"): Yanlord is partnering with a subsidiary of China Ping An to develop a 295,000 sqm residential site in Suzhou City. Yanlord will have 30% in the project company. As at 31 March 2016, Yanlord has 1.44 million sqm in land bank set aside for future developments. The company is active in Suzhou, a city which makes up ~9% of its projects under development and is one of cities that it has targeted for expansion. (Company, OCBC)

Ezra Holdings Limited ("EZRA"): EZRA reported 3QFY2016 results (ending May 2016) with sector pressures continuing to affect results. Revenue was down 10% y/y due to weaker performance in the OSV segment (mainly EMAS Offshore), resulting in a gross loss of USD0.6mn for the quarter. Management indicated that expenses were sticky for the segment (such as insurance), despite cost cutting measures already taken. Stronger performance at the shipbuilding segment (Triyards) was insufficient to offset the challenged OSV segment. Earnings were again deeply impacted by non-cash impairments and provisions. As a result of the Chiyoda JV, EZRA took a divestment loss of USD181.3mn for the 50% divestment of EMAS AMC (into the JV). EZRA also took USD25mn more in provisions as allowances for bad debt, given the stress that some of EZRA's clients were facing. These led EZRA to 3QFY2016 quarterly pre-tax losses of USD237.7mn. Given the challenging operating environment, the company's quarterly operating cash flow position continues to be negative and although capex has reduced y/y, EZRA's net gearing profile has worsened sharply as a result of the divestment loss / provisions taken during the quarter. Though gross borrowings fell q/q from USD1.3bn to USD1.2bn (with EZRA applying the proceeds of the Chiyoda investment to reducing debt), net gearing worsened q/q from 110% to 138%. We will retain EZRA's Issuer Profile at Negative. (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

Ezien Hoo, CFA

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

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