

Jan 18, 2016

Market Commentary: SGD swap rates traded 5bps-6bps lower across the curve last Friday. Flows in the SGD corporate space were heavy, where we saw better sellers of SCISP 4.75%'49 and AREIT 4.75%'49. We also saw better buyers of SINTEC 4.05%'25, DBSSP 3.8%'28, ABNANV 4.7%'22 and mixed interest in OCBCSP 3.8%'49, BAERVX 5.9%'49, GGRSP 5.5%'18, GENSSP 5.125%'49 and OLAMSP 7%'49. In the broader dollar space, JACI IG corporates spread widened by 2bps to 230bps while the yield on the JACI HY increased by 2bps to 8.10%. 10y UST yield fell by 5bps to 2.03%.

New Issues: Huaneng Hong Kong Capital Ltd priced a USD500mn Perp NC3 at 4.30%, the first call date will be on 25 Jan 2019. The bond will have a rate reset every 3 years to prevailing 3-year UST + 315.9bps + 500bps.

Credit Headlines:

Ascendas REIT ("A-REIT") announced the results of its pro-rata and non-renounceable preferential offering of new units, which will raise around SGD144.8mn (Company). Along with the private placement, A-REIT has raised SGD344.9mn in equity to fund the recently announced acquisitions of One@Changi City for SGD420mn and a logistics property in Australia for AUD76.6mn. According to the company, A-REITs aggregate leverage will reduce from 39.4% as at 30 November 2015 to 36.9% considering the acquisitions and the use of the equity proceeds to partially acquire the assets as well as retire debt. Our 'Positive' issuer profile on A-REIT already considers this transaction which we view as credit-accretive and supportive of management's commitment to its current credit profile. (Company, OCBC)

Table 1: Key Financial Indicators

	18-Jan	1W chg (bps)	1M chg (bps)		18-Jan	1W chg	1M chg
iTraxx Asiax IG	162	18	21	Brent Crude Spot (\$/bbl)	28.14	-10.81%	-23.70%
iTraxx Sovx APAC	82	5	7	Gold Spot (\$/oz)	1,090.53	-1.23%	2.28%
iTraxx Japan	84	2	10	CRB	159.93	-5.13%	-7.10%
iTraxx Australia	149	13	17	GSCI	279.17	-5.55%	-9.18%
CDX NA IG	109	11	14	VIX	27.02	0.04%	30.53%
CDX NA HY	98	-1	-2	CT10 (bp)	2.035%	-14.07	-16.93
iTraxx Eur Main	96	10	15	USD Swap Spread 10Y (bp)	-15	1	-9
iTraxx Eur XO	384	34	52	USD Swap Spread 30Y (bp)	-48	1	-14
iTraxx Eur Snr Fin	87	7	11	TED Spread (bp)	39	-4	11
iTraxx Sovx WE	18	0	1	US Libor-OIS Spread (bp)	24	0	2
iTraxx Sovx CEEMEA	219	20	43	Euro Libor-OIS Spread (bp)	12	-1	1
					18-Jan	1W chg	1M chg
				AUD/USD	0.686	-2.07%	-4.47%
				USD/CHF	1.002	-0.61%	-0.97%
				EUR/USD	1.092	0.17%	0.47%
				USD/SGD	1.439	-0.30%	-1.77%
Korea 5Y CDS	75	11	16	DJIA	15,988	-2.19%	-6.66%
China 5Y CDS	130	11	16	SPX	1,880	-2.17%	-6.24%
Malaysia 5Y CDS	222	18	30	MSCI Asiax	450	-1.63%	-9.03%
Philippines 5Y CDS	132	13	18	HSI	19,521	-4.56%	-10.27%
Indonesia 5Y CDS	265	18	23	STI	2,631	-4.38%	-7.78%
Thailand 5Y CDS	165	15	21	KLCI	1,629	-1.75%	-0.93%
				JCI	4,524	-0.49%	1.24%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Jan-16	Huaneng Hong Kong Capital Ltd	NR/NR/NR	USD500mn	Perp NC3	4.3%
15-Jan-16	Singapore Technologies Telemedia Pte Ltd	NR/NR/NR	SGD300mn	10-year	4.05%
15-Jan-16	Hsin Chong Construction Group Ltd	NR/NR/NR	USD150mn	3-year	8.5%
15-Jan-16	Hong Kong Airlines International Holdings	NR/NR/NR	USD180mn	3-year	7.25%
14-Jan-16	Korea Midland Power Co Ltd	AA-/Aa2/AA-	USD300mn	5.5-year	CT5+110bps
14-Jan-16	Export-Import Bank of India	BBB-/Baa3/BBB-	USD500mn	5.5-year	CT5+165bps
14-Jan-16	DBS Group Holdings Ltd	NR/Aa2/AA-	SGD250mn	12NC7	3.8%
14-Jan-16	Sumitomo Mitsui Banking Corp	A/A1/A	USD750mn	3-year	CT3+95bps

Source: OCBC, Bloomberg

Credit Headlines:

Keppel Corp ("KEP"): Keppel Land acquired a 22.5% stake in 112 Katong mall, for a cash consideration of SGD51.4mn. The balance stake in the mall is held by Alpha Asia Macro Trends Fund, a fund managed by Alpha Investment Partners (a property fund manager owned by KEP). This complements Keppel Land's other retail assets, such as Jurong Point and Tiong Bahru Plaza. The impact on KEP's credit profile is minimal. (SGX, OCBC).

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