

Feb 02, 2016

Market Commentary: The SGD swap curve traded 1.5bps-3.5bps lower yesterday. In the broader dollar space, JACI IG corporates spread tightened by 1bp to 235bps while the yield on the JACI HY corporates fell by 1bp to 8.31%. 10y UST yield increased by 3bps to 1.95%.

Rating Changes: S&P downgraded Zhong An Real Estate Ltd to “B-“ from “B”, citing high geographical concentration which subjects the company to volatility. Outlook was stable, but S&P subsequently withdrew its rating upon the downgrade. S&P downgraded Shanghai Baosteel Group Corp, Baoshan Iron & Steel Co. Ltd. and Bao-Trans Enterprises Ltd. to “BBB+” from “A-“, as they expect Baoshan’s profitability and cash flow leverage to deteriorate amid challenging trading conditions in China’s steel market. S&P also downgraded Baosteel Resources International Co Ltd, which is a subsidiary of Shanghai Baosteel Group Corp, to “BBB” from “BBB+” for similar reasons. Outlook is stable for the above mentioned rating changes. S&P downgraded China Fishery Group Ltd’s long-term corporate rating to “D” from “SD”, as China Fishery has missed coupon payment of \$14.3mn on its \$300mn guaranteed senior notes due Jan 30.

Table 1: Key Financial Indicators

	2-Feb	1W chg (bps)	1M chg (bps)		2-Feb	1W chg	1M chg
iTraxx Asiax IG	152	-2	10	Brent Crude Spot (\$/bbl)	34.24	12.26%	-8.15%
iTraxx Sovx APAC	78	5	3	Gold Spot (\$/oz)	1,128.85	1.35%	5.22%
iTraxx Japan	82	-10	4	CRB	163.49	1.89%	-7.19%
iTraxx Australia	143	-2	12	GSCI	292.92	3.45%	-6.01%
CDX NA IG	104	0	14	VIX	19.98	-17.27%	9.72%
CDX NA HY	100	1	-1	CT10 (bp)	1.949%	-5.26	-32.08
iTraxx Eur Main	94	1	12	USD Swap Spread 10Y (bp)	-12	1	-5
iTraxx Eur XO	370	-1	36	USD Swap Spread 30Y (bp)	-47	-1	-9
iTraxx Eur Snr Fin	94	5	14	TED Spread (bp)	32	-2	-13
iTraxx Sovx WE	22	2	6	US Libor-OIS Spread (bp)	21	-1	-1
iTraxx Sovx CEEMEA	193	-3	7	Euro Libor-OIS Spread (bp)	13	0	5
					2-Feb	1W chg	1M chg
				AUD/USD	0.711	1.94%	-1.43%
				USD/CHF	1.019	-0.38%	-2.05%
				EUR/USD	1.090	0.67%	-0.06%
				USD/SGD	1.423	0.42%	-0.01%
Korea 5Y CDS	66	-1	5	DJIA	16,449	3.55%	-5.60%
China 5Y CDS	129	5	12	SPX	1,939	3.32%	-5.12%
Malaysia 5Y CDS	190	-8	-3	MSCI Asiax	462	3.69%	-7.64%
Philippines 5Y CDS	129	3	12	HSI	19,596	1.32%	-10.58%
Indonesia 5Y CDS	241	-4	-4	STI	2,602	0.77%	-9.72%
Thailand 5Y CDS	162	3	17	KLCI	1,668	2.62%	-1.46%
				JCI	4,625	2.64%	0.69%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
1-Feb-16	HNA Group	NR/NR/NR	USD35mn	2-year	8.125%
29-Jan-16	Vista Land & Lifescapes Inc.	NR/NR/NR	USD125mn	6-year	7.375%
29-Jan-16	Kookmin Bank	A/A1/A	USD500mn	5-year	MS+95bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	USD1bn	4-year	CT4+85bps
28-Jan-16	China Development Bank Corp (CDB)	AA-/Aa3/A+	EUR1bn	2-year	MS+75bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD750mn	3-year	CT3+115bps
28-Jan-16	ANZ New Zealand (International) Ltd	AA-/Aa2/AA-	USD500mn	5-year	CT5+130bps
25-Jan-16	Housing Development Board of Singapore	Aaa/NR/NR	SGD1bn	7-year	2.5%

Source: OCBC, Bloomberg

Credit Headlines:

OUE Ltd ("OUE"): OUE responded to media queries regarding sales progress at OUE Twin Peaks. The project is currently 16% sold with a total of 72 out of 462 units transacted at an average price of SGD2,861 psf. OUE refuted rumors that the company had been marketing units for bulk sale at SGD2,300 to SGD2,400 psf. However, the company did say that there have been interested parties exploring bulk purchases but nothing definitive has emerged from preliminary discussions. OUE also stated that the company is not looking to buy back units to sell to China and Middle East buyers. We think the company will continue to find it challenging moving units at Twin Peaks in the current weak environment, noting that resale transactions have also started to emerge (one resale transaction was concluded in Nov 2015). Although OUE's earnings capacity remains weak resulting in an increase in leverage based on EBITDA ratios, the company's liquidity profile is strong with SGD418.3mn in cash (SGD548.67mn if factoring in cash receipts from One Raffles Place divestment) and SGD376.1mn in mutual fund investments covering SGD157.3mn in short-term debt as at Sep 2015. We maintain our Neutral issuer profile on OUE while being "Overweight" on the company's short-dated OUESP 4.95% '17 (134bps over swaps, yielding 2.99%) and OUESP 4.25% '19c16 (YTC: 4.67%, 301bps over swaps to call date). (Company, OCBC)

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