

Apr 20, 2016

Market Commentary: The short-end rates on the SGD swap curve traded 2bps-3bps lower while the rest of the curve remained level. It is worth noting that the SGD rallied strongly against the USD, and is trading at levels stronger than prior to the surprise MAS easing. Flows in the SGD corporate space were heavy, where we saw better buyers in ABNANV 4.75%'26s, GENSSP 5.125%'49s, OLAMSP 4.25%'19s, FCLSP 4.25%'26s, NOLSP 4.25%'17s, better sellers in the UOBSP 3.5%'26s and mixed interest in the CHEUNG 5.125%'49s, TRAFIG 7.5%'49s, STANLN 4.4%'26s and GEMAU 4.75%'17s. In the broader dollar space, the spread on the JACI IG corporates tightened by 1bp to 228bps while the yield on the JACI HY corporates was level at 7.46%. 10y UST yield increased by 1bp to 1.79%.

New Issues: HDB priced a SGD675mn 5-year bond at 1.75%, with an expected rating of "NR/Aaa/NR". Chexim priced a 3-tranche deal, with the USD1.25bn 5-year bond priced at CT5+85bps, the USD1bn 10-year bond priced at CT10+120bps and the EUR650mn 3-year bond priced at MS+55bps. The prices tightened from an initial guidance of CT5+100bps, CT10+135bps and MS+75bps respectively. The expected rating for the issue is "AA-/Aa3/NR". Yunan Provincial Energy Investment Group Co priced a USD300mn 3-year bond at CT3+215bps, tightening from an initial guidance of CT3+245bps. The expected rating for the issue is "BBB/NR/NR". MUFG re-tapped the market in three parts, tapping USD1bn on its 2.95%'21s at CT5+125bps, tapping USD500mn on its FRN'21s at 3mL+129bps and tapping USD500mn on its 3.85%'26s at CT10+155bps. The expected rating for the issues are "A/A1/A".

Table 1: Key Financial Indicators

	20-Apr	1W chg (bps)	1M chg (bps)		20-Apr	1W chg	1M chg
iTraxx Asiax IG	137	-2	-13	Brent Crude Spot (\$/bbl)	43.39	-1.79%	5.32%
iTraxx Sovx APAC	56	0	-1	Gold Spot (\$/oz)	1,250.76	0.77%	0.29%
iTraxx Japan	74	-5	1	CRB	177.92	1.39%	0.89%
iTraxx Australia	132	-3	-16	GSCI	343.57	0.58%	2.46%
CDX NA IG	76	-3	-2	VIX	13.24	-10.84%	-5.56%
CDX NA HY	103	1	0	CT10 (bp)	1.775%	1.07	-9.86
iTraxx Eur Main	71	-4	-1	USD Swap Spread 10Y (bp)	-14	0	2
iTraxx Eur XO	304	-10	8	USD Swap Spread 30Y (bp)	-46	1	5
iTraxx Eur Snr Fin	88	-6	1	TED Spread (bp)	43	2	9
iTraxx Sovx WE	27	-1	1	US Libor-OIS Spread (bp)	25	0	1
iTraxx Sovx CEEMEA	128	-8	-17	Euro Libor-OIS Spread (bp)	10	0	-1
					20-Apr	1W chg	1M chg
				AUD/USD	0.780	1.80%	2.30%
				USD/CHF	0.962	0.12%	0.73%
				EUR/USD	1.136	0.50%	0.68%
				USD/SGD	1.339	0.81%	1.33%
Korea 5Y CDS	62	0	-3	DJIA	18,054	1.88%	2.56%
China 5Y CDS	119	0	-5	SPX	2,101	1.90%	2.50%
Malaysia 5Y CDS	162	15	0	MSCI Asiax	515	0.95%	2.73%
Philippines 5Y CDS	96	-2	-11	HSI	21,436	4.54%	3.70%
Indonesia 5Y CDS	193	-3	-10	STI	2,952	4.87%	1.55%
Thailand 5Y CDS	121	-1	-17	KLCI	1,711	-0.22%	-0.30%
				JCI	4,882	1.08%	-0.08%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
19-Apr-16	Housing and Development Board	NR/Aaa/NR	SGD675mn	5-year	1.75%
19-Apr-16	Export-Import Bank of China	AA-/Aa3/NR	USD1.25bn	5-year	CT5+85bps
19-Apr-16	Export-Import Bank of China	AA-/Aa3/NR	USD1bn	10-year	CT10+120bps
19-Apr-16	Export-Import Bank of China	AA-/Aa3/NR	EUR650mn	3-year	MS+55bps
19-Apr-16	Yunan Provincial Energy Investment Gp Co	BBB/NR/NR	USD300mn	3-year	CT3+215bps
19-Apr-16	Mitsubishi UFJ Financial Group	A/A1/A	USD1bn	5-year	CT5+125bps
19-Apr-16	Mitsubishi UFJ Financial Group	A/A1/A	USD500mn	5-year	3mL+129bps
19-Apr-16	Mitsubishi UFJ Financial Group	A/A1/A	USD500mn	10-year	CT10+155bps

Source: OCBC, Bloomberg

Rating Changes: S&P placed Marubeni Corp's (Japan-based general trading and investment company,) "BBB" long-term corporate credit ratings on CreditWatch with negative implications. This is in light of Marubeni cutting its net profit guidance for fiscal 2015 ended Mar 31, 2016 to JPY60bn from JPY150bn. S&P revised Shikoku Electric Power Co Inc's "BBB+" rating outlook to positive from stable, reflecting the company's stable earnings performance in the past two years or so and a heightened likelihood that it will resume operations of the No. 3 reactor at its Ikata nuclear power plant in 2016. Moody's downgraded the corporate family rating of Yanzhou Coal Mining Co Ltd to "B2" from "Ba3". At the same time Moody's also downgraded to "B2" from "Ba3" the senior unsecured debt ratings of the bonds issued by Yancoal International Resources Development Co Ltd. Rating outlooks are revised to negative from stable. This is to reflect Moody's view that there has been a fundamental downward shift in the mining sector with the downturn being deeper, resulting in increased credit risk and weaker metrics for Yanzhou. Moody's revised the outlook on Fosun International Ltd's "Ba3" corporate family rating to stable from negative. The stable outlook reflects Fosun's demonstrated ability to maintain its access to the funding markets and improve its debt maturity profile.

Credit Headlines:

Perennial Real Estate Holdings Ltd (PREH): PREH just announced a retail bond offer of up to SGD200mn in 4-year 4.55% bonds with an upside option of an additional SGD100mn to a total issue size of SGD300mn. This is the second retail issuance after the SGD300mn PREHSP 4.65% '18s done in October 2015 and comes only 1 month after the company issued the SGD125mn PREHSP 4.90% '19. This is in-line with our expectations for more supply out of the company as we expected Perennial's leverage to remain elevated going forward due to high capital requirements from its integrated development projects. The current dispute with Pontiac Land over the Capitol Singapore throws more uncertainty into the mix with the potential need to shell out additional capital to buy out Pontiac Land's stake in the project. The Capital Singapore is valued at SGD743.5mn (excluding the residential portion). Pricing for the new PREHSP 4.55% '20s does look fair due to the ~2pt rally seen in the PREHSP 4.90% '19 since issuance last month and will offer a 52bps pick up in yield or a 40bps pickup in spread over swaps over the 19s. We remain Underweight the entire PREHSP curve. (Company, OCBC)

Sembcorp Industries ("SCI"): Sembcorp Marine ("SMM") and Transocean have agreed to further delay the two ultra deepwater drillships which Transocean ordered from SMM. Transocean had originally deferred the orders once in June 2015, with the deliveries pushed from 2Q2017 / 1Q2018 to 2Q2019 / 1Q2020. The drillship deliveries have now been deferred to 1Q2020 / 3Q2020. The contract value for these drillships is ~SGD1.4bn, out of SMM's last reported orderbook of SGD10.4bn (as of end-2015). As these orders have already been deferred previously, we don't believe that the further delays would impact SCI's credit profile. We currently hold SCI at Neutral Issuer Profile (Company, OCBC).

CapitaLand Ltd ("CAPL"): CAPL reported 1Q2016 results with revenue down 2.3% y/y to SGD894.2mn. This was mainly due to the absence of a fair value gain of S\$59.6 million arising from the change in use of Ascott Heng Shan Shanghai in the first quarter of 2015, and lower contributions from the group's development projects in Singapore and Vietnam. However, this was partly offset by increased contributions from China due to higher value completions in Shanghai. Reported EBIT was higher at 20.1% y/y at SGD458.2mn but stripping out one-off revaluation gains of SGD83.6mn from the divestment of Somerset ZhongGuanCun Beijing, would have been flat y/y at SGD374.6mn. Pre-sales progress in both China and Singapore were strong for 1Q2016 with contracted sales in China doubling to RMB4.5bn from RMB2.2bn while pre-sales in Singapore was SGD506mn (222 units), up 156% y/y mainly due to the successful launch of Cairnhill 9 (193 out of 268 units sold). Looking ahead, CAPL will launch a further 164 units across 2 projects in Singapore (The Nassim and Victoria Park Villas) and has a further 5,188 launch-ready units in China in 2016. Cash decreased by SGD224mn to SGD3.90bn due to a SGD715mn reduction in borrowings and offset slightly by strong CFO of SGD393mn because of the strong contracted sales from China. Leverage reduced slightly with net gearing down slightly to 46.6% from 47.6%. We maintain a Positive issuer profile on the company and a Neutral on the CAPLSP curve with bonds mostly trading in line with the CDL curve. The CAPLSP 3.78% '19s do offer a slight pickup to the rest of the curve, however that is issued out of Ascott Holdings Limited. (Company, OCBC)

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