

May 20, 2016

Market Commentary: The SGD curve shifted upwards yesterday, with rates trading 5bps – 8bps higher, largely in step with US rates given hawkish signals from the Fed April FOMC minutes released Wednesday night. Flows in the SGD corporates were heavy, where we saw better buyers in SOCGEN 4.3%'26s, NAB 4.15%'28s, GENSSP 5.13%'49s. STANLN 4.4%'26s, BAERVX 5.9%'49s and better sellers in OLAMSP 4.25%'19s, MLTSP 4.18%'49s. Meanwhile we also saw mixed interest in MFCCN 3.85%'26s, UOBSP 4%'49s and GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG corporate decreased by 3 bps to 221bps, while the yield on the JACI HY corporate increased by 5bps to 7.24%. 10y UST yields decreased by 1bps to 1.85%.

New Issues: Zhejiang Geely priced a USD400m 5-year bond at CT5+140bps, tightening from its initial guidance of CT5+170bps. The expected rating is "A/A1/A". Citic Limited has appointed arrangers for investor meetings in Hong Kong, Singapore and London beginning May 23.

Rating Changes: Moody's downgraded Baosteel Group Corporation's rating to "Baa1" from "A3", additionally, its subsidiary, Baosteel Resources International Company Ltd, to "Baa2" from "Baa1". This concludes the rating review for downgrade that was initiated on 19 February. The rating downgrade reflects Baosteel's weakened operating performance and financial profile, with the group's high consolidated leverage further weakening to around 6.0x in 2016 from 5.7x in 2015. The outlook is negative for both companies. Moody's affirmed Cheung Kong Property's "A3" credit rating and changed its outlook to positive from stable, reflecting its increasing rating upgrade pressure from CKP's 2015 low debt leverage and strong liquidity position that exceed the levels that support its "A3" rating. S&P affirmed Kunlun Energy Co. Ltd's credit rating of "A+" due to its strong cash flows from its transmission pipeline business to underpin its credit profile over the next two years. The outlook is negative. S&P downgraded Emeco Holdings Ltd to "CCC" from "CCC+", reflecting its view that difficult trading conditions will continue to challenge Emeco's ability to improve its earnings over the medium term, and that its operating cash flow will remain negative. The outlook is negative. S&P raised Chesapeake Energy Corp.'s corporate credit rating to "CCC" from "SD" following the completion of its distressed exchange offer. Outlook is negative, reflecting the potential for further distressed debt exchanges for the oil and gas company.

Table 1: Key Financial Indicators

	20-May	1W chg (bps)	1M chg (bps)		20-May	1W chg	1M chg
iTraxx Asiax IG	148	3	10	Brent Crude Spot (\$/bbl)	48.81	1.52%	10.86%
iTraxx SovX APAC	56	2	-1	Gold Spot (\$/oz)	1,257.40	-1.26%	1.06%
iTraxx Japan	71	-2	--	CRB	183.88	0.13%	1.35%
iTraxx Australia	133	-2	1	GSCI	366.95	1.11%	4.11%
CDX NA IG	85	2	12	VIX	16.33	13.32%	22.97%
CDX NA HY	102	0	-2	CT10 (bp)	1.847%	14.68	0.19
iTraxx Eur Main	80	4	10	USD Swap Spread 10Y (bp)	-15	-2	-1
iTraxx Eur XO	338	14	38	USD Swap Spread 30Y (bp)	-49	-1	-3
iTraxx Eur Snr Fin	101	3	14	TED Spread (bp)	35	-1	-7
iTraxx Sovx WE	26	0	-1	US Libor-OIS Spread (bp)	19	-6	-6
iTraxx Sovx CEEMEA	142	8	14	Euro Libor-OIS Spread (bp)	9	1	-1
					20-May	1W chg	1M chg
				AUD/USD	0.723	-0.51%	-7.19%
				USD/CHF	0.991	-1.53%	-1.87%
				EUR/USD	1.121	-0.91%	-0.81%
				USD/SGD	1.379	-0.49%	-2.50%
Korea 5Y CDS	66	2	4	DJIA	17,435	-1.61%	-3.65%
China 5Y CDS	130	2	10	SPX	2,040	-1.17%	-2.97%
Malaysia 5Y CDS	166	8	4	MSCI Asiax	474	-0.93%	-7.35%
Philippines 5Y CDS	117	2	19	HSI	19,694	-1.11%	-7.26%
Indonesia 5Y CDS	200	13	6	STI	2,740	-0.19%	-7.11%
Thailand 5Y CDS	127	1	4	KLCI	1,634	-0.92%	-4.40%
				JCI	4,704	-2.06%	-3.53%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
19-May-16	Zhejiang Geely	A/A1/A	USD500mn	5-year	CT5+140bps
18-May-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD500mn	3-year	3mL+70bps
18-May-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD1bn	3-year	CT3+77.5bps
18-May-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD1bn	10-year	CT10+82.5bps
17-May-16	Lendlease Group	BBB-/Baa3/BBB-	USD400mn	10-year	CT10+280bps
16-May-16	Manulife Financial	A-/NR/NR	SGD500mn	10NC5	3.85%
16-May-16	ICBC Hong Kong	A/A1/NR	USD500m	3-year	CT3+107.5bps
16-May-16	Mapletree Logistic Trust	NR/NR/NR	SGD250mn	PerpNC5.5	4.18%

Source: OCBC, Bloomberg

Credit Headlines:

Yanlord Land Group Ltd (“Yanlord”): Yanlord issued a call notice for its USD400mn YLLGSP 10.625% '18s yesterday. The company also has a RMB2bn dim sum bond maturing in 3 days and that should also be redeemed smoothly. Yanlord is capitalizing on its strong cash position (cash of RMB16.5bn as of end-March 2016 with the company in a net cash position of RMB100mn) to reduce debt after a RMB2bn reduction in gross debt over 1Q2016. The company is not looking to refinance these bonds in the respective offshore markets but instead is looking to do an onshore bond (possibly panda) of up to RMB10bn so it looks like the technicals for China property offshore bonds (USD or SGD) will persist with developers continuing to shift financing needs onshore. We maintain our Positive Issuer profile on Yanlord and a Neutral on the SGD YLLGSP 5.375% '17s. (Source: Company, OCBC)

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