

Apr 21, 2016

Market Commentary: The SGD swap curve was range-bounded yesterday, with the short-end rates trading 1bp higher, while the belly-to-long-end rates traded 1bp-2bp lower. Flows in the SGD corporates were moderate, where we saw better buyers in the recently issued FCLSP 4.25%'26s, GENSSP 5.125%'49s, ABNANV 4.75%'26s, mixed interests in FCLSP 3.95%'21s and SHGSP 5.25%'17s. In the broader dollar space, the spread on the JACI IG corporates widened by 1bp to 229bps, while the yield on the JACI HY corporates increased by 6bps to 7.52%. 10y UST yield increased by 6bps to 1.85%.

New Issues: BOC Aviation priced a USD750mn 10-year bond at CT10+215bps, tightening from an initial guidance of CT10+235bps. The expected rating for the issue is "BBB+/NR/A-". The Government of Malaysia priced a 2-part sukuk, with the USD1bn 10-year sukuk priced at CT10+135bps, tightening from an initial guidance of CT10+150bps, USD500mn 30-year sukuk priced at CT30+145bps, tightening from an initial guidance of CT30+165bps. The expected rating for the issue is "A-/A3/A-". Vimpelcom came to market with a 2-part deal, with the USD500mn 4-year bond priced at 6.25% and the USD700mn 7-year bond priced at 7.25%. The deals tightened from an initial guidance of 6.875% and 7.875% respectively, with an expected rating of "B+/B1/BB+".

Rating Changes: S&P placed CAR Inc's "BB+" long-term corporate credit rating on CreditWatch with negative implications. This is following the recent change in the company's controlling shareholding and senior management. S&P aims to resolve the CreditWatch within 90 days once they assess the credit profile of UCAR and the relationship between UCAR and CAR. Moody's withdrew all ratings on PT Berau Coal Energy TBK ("Berau"), as Moody's believes it has insufficient or otherwise inadequate information to support the maintenance of the rating. Fitch has withdrawn Winsway Enterprises Holdings Ltd's ("Winsway") ratings, as Winsway has chosen to stop participating in the rating process. Winsway's stock has been suspended since 20 April 2016.

Table 1: Key Financial Indicators

	21-Apr	1W chg (bps)	1M chg (bps)		21-Apr	1W chg	1M chg
iTraxx Asiax IG	138	1	-11	Brent Crude Spot (\$/bbl)	45.50	3.79%	9.53%
iTraxx Sovx APAC	57	1	-1	Gold Spot (\$/oz)	1,246.04	0.54%	-0.09%
iTraxx Japan	71	-3	-2	CRB	181.44	3.29%	2.88%
iTraxx Australia	132	-2	-16	GSCI	352.48	3.07%	4.86%
CDX NA IG	73	-6	-4	VIX	13.28	-4.05%	-3.70%
CDX NA HY	104	1	1	CT10 (bp)	1.833%	4.08	-8.28
iTraxx Eur Main	70	-2	-1	USD Swap Spread 10Y (bp)	-13	1	3
iTraxx Eur XO	301	-10	5	USD Swap Spread 30Y (bp)	-46	1	5
iTraxx Eur Snr Fin	87	-2	0	TED Spread (bp)	41	1	7
iTraxx Sovx WE	27	1	1	US Libor-OIS Spread (bp)	24	-1	1
iTraxx Sovx CEEMEA	128	-7	-18	Euro Libor-OIS Spread (bp)	10	0	-1
					21-Apr	1W chg	1M chg
				AUD/USD	0.780	1.29%	2.35%
				USD/CHF	0.971	-0.58%	-0.25%
				EUR/USD	1.130	0.38%	0.17%
				USD/SGD	1.344	1.37%	0.94%
Korea 5Y CDS	62	0	-3	DJIA	18,096	1.05%	2.68%
China 5Y CDS	120	2	-4	SPX	2,102	0.96%	2.48%
Malaysia 5Y CDS	162	15	1	MSCI Asiax	512	0.00%	1.80%
Philippines 5Y CDS	98	1	-9	HSI	21,236	0.37%	2.67%
Indonesia 5Y CDS	194	-3	-10	STI	2,950	2.06%	2.40%
Thailand 5Y CDS	122	0	-15	KLCI	1,709	-0.82%	-0.55%
				JCI	4,877	0.49%	-0.18%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Apr-16	BOC Aviation	BBB+/NR/A-	USD750mn	10-year	CT10+215bps
20-Apr-16	Government of Malaysia	A-/A3/A-	USD1bn	10-year	CT10+135bps
20-Apr-16	Government of Malaysia	A-/A3/A-	USD500mn	30-year	CT30+145bps
20-Apr-16	Vimpelcom	B+/B1/BB+	USD500mn	4-year	6.25%
20-Apr-16	Vimpelcom	B+/B1/BB+	USD700mn	7-year	7.25%
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

Source: OCBC, Bloomberg

Credit Headlines:

Keppel Corp & Sembcorp Industries (“KEP” & “SCI”): The shareholders of Sete Brasil have agreed to file for bankruptcy protection after its only client, Petrobras, failed to propose a book order that could pay back the capital invested into Sete Brasil. Law firm Sergio Bermudes Advogados has been selected to work on the bankruptcy plans. Sete Brasil’s lenders have repeatedly renewed a standstill loan (USD3.6bn), with the current standstill lapsing in May. Sete Brasil is currently both KEP’s and SCI’s largest offshore marine customer, with ~SGD4.2bn and ~SGD3.2bn respectively in net orders to execute. Both KEP and SCI have already taken provisions and impairments on their offshore marine segments during FY2015. Upon filing for bankruptcy, we could potentially see revenue reversals by KEP and SCI. Both KEP and SCI are currently rated Neutral Issuer Profile (Company, OCBC)

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