Asian Credit Daily

OCBC Bank

June 21, 2016

Market Commentary: The SGD swap curve steepened yesterday, with short-end rates trading 3bps lower while the belly-to-long-end traded 1-4bps higher. Flows were decent in the SGD corporate space with better buying in tier 2 paper namely STANLN 4.40% '26 and MFCCN 3.85% '26 while SOCGEN 4.3%'26, UOBSP 4% AT1s and GEMAU 5.50% '19s saw 2-way activity. GENSSP 5.125% perp-c17 in contrast, saw some selling. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 230bps while the yield on JACI HY corporates decreased by 3bps to 7%. 10y UST yield increased overnight by 8bps to 1.69% as risk appetite was boosted by latest poll results that signalled the campaign to keep the UK within the European Union was gaining momentum.

News Issues: Wuxi Construction and Development Investment Co. Ltd priced a USD300mn 3-year bond at CT3+240bps, tightening from its initial guidance of CT3+260bps. The expected ratings are "BBB/NR/BBB+". Jiangsu Hanrui Investment Holdings Co. is holding investor meeting in Hong Kong and Singapore today and tomorrow for a potential "BB+" USD issue. NTPC Ltd has mandated 5 banks for a potential benchmark sized green masala bond deal, the first of such bonds after the green light from the regulator last year.

Rating Changes: Moody's downgraded its long term, senior debt and MTN program credit rating on Mitsubishi Corporation to "A2" from "A1". The rating action concludes the review for downgraded initiated on 25 March, 2016. The downgrade reflects Moody's heightened concerns over Mitsubishi's ability to generate adequate and sustainable earnings and cash flows, as well as its ability to mitigate deterioration in earnings from its resource-related businesses through its non-resource-related businesses. The outlook is negative, reflecting Moody's concern over the company's capacity to meaningfully reduce leverage, given its expectation for moderate earnings generation; and uncertainty over any significant recovery in commodity and energy prices now and in the near future. Additionally, its subsidiaries; MC Finance & Consulting Asia Pte. Ltd and MC Finance Australia Pty. Ltd.'s MTN program credit rating was also downgraded to "A2" from "A1". S&P affirmed its credit rating of "BBB+" on Chongqing Nan'an District City Construction Development Group Co. Ltd. The outlook is stable.

Table 1: Key Financial Indicators

	21-Jun	1W chg (bps)	1M chg (bps)		21-Jun	1W chg	1M chg
iTraxx Asiax IG	142	-10	-5	Brent Crude Spot ($/bbl)	50.65	0.60%	3.96%
iTraxx SovX APAC	52	-3	-2	Gold Spot ($/oz)	1,289.02	0.26%	3.19%
iTraxx Japan	68	-4	-3	CRB	194.41	0.78%	5.54%
iTraxx Australia	128	-5	-5	GSCI	382.89	0.42%	4.24%
CDX NA IG	80	-4	-3	VIX	18.37	-12.40%	20.86%
CDX NA HY	103	1	1	CT10 (bp)	1.689%	7.90	-14.98
iTraxx Eur Main	78	-9	0	USD Swap Spread 10Y (bp)	-12	0	2
iTraxx Eur XO	341	-31	7	USD Swap Spread 30Y (bp)	-48	0	1
iTraxx Eur Snr Fin	102	-12	5	TED Spread (bp)	40	0	4
iTraxx Sovx WE	29	-1	3	US Libor-OIS Spread (bp)	25	-1	3
iTraxx Sovx CEEMEA	128	-8	-14	Euro Libor-OIS Spread (bp)	8	0	0
					21-Jun	1W chg	1M chg
				AUD/USD	0.746	1.35%	3.23%
				USD/CHF	0.962	0.16%	2.88%
				EUR/USD	1.132	0.99%	0.87%
				USD/SGD	1.343	0.92%	2.63%
Korea 5Y CDS	59	-5	-4	DJIA	17,805	0.41%	1.74%
China 5Y CDS	123	-9	-2	SPX	2,083	0.20%	1.51%
Malaysia 5Y CDS	160	-13	-3	MSCI Asiax	497	1.16%	4.41%
Philippines 5Y CDS	112	-8	-2	HSI	20,510	-0.01%	3.31%
Indonesia 5Y CDS	190	-13	-2	STI	2,801	0.55%	1.34%
Thailand 5Y CDS	116	-8	-7	KLCI	1,634	0.27%	0.33%
				JCI	4,864	1.17%	3.22%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
20-June-16	Wuxi Construction & Development Inv. Co. Ltd.	BBB/NR/BBB+	USD300mn	3-year	CT3+240bps
17-June-16	SGSP Australia	NR/NR/NR	AUD350mn	7-year	Swap+182bps
16-June-16	Korea Land & Housing Corp.	NR/NR/NR	USD200mn	12-year	2.47%
16-June-16	China Development Bank	AA-/Aa3/NR	USD1bn	3-year	CT3+90bps
16-June-16	Zhongrong International Bond 2016 Ltd.	BB-/NR/NR	USD500mn	3-year	6.95%
13-June-16	Biostime International Holdings Ltd.	BB-/Ba3/NR	USD400mn	5NC2	7.25%
13-June-16	QBE Insurance Group Ltd.	BBB-/NR/BBB	USD524mn	30NC10	5.88%
13-June-16	Fraser Centrepoint Trust	NR/BBB+/NR	SGD50mn	5-year	2.76%

Source: OCBC, Bloomberg

Credit Headlines:

Ezra Holdings ("EZRA"): The issuer announced that it has received awards for several new deepwater projects from international oil majors, with a value of USD300mn in aggregate. The projects will be executed in various offshore oil producing regions in the Gulf of Mexico, Southeast Asia and West Africa. The scope of work looks to benefit EZRA's subsea JV, EMAS Chiyoda Subsea. As such, the impact of the projects will only be reported as "share of profits from joint venture companies" rather than consolidated in EZRA's income statement. In aggregate though, the contract win is a credit positive as it 1) may improve the profitability of the subsea division as it was previous reported to be loss making and 2) may indicate a trough to upstream investments in high-cost deepwater assets. We will await EZRA's 3QFY2016 results (ending May 2016) for review of EZRA's Issuer Profile (currently Negative), while retaining our Overweight recommendation on the EZRASP'18s. (Company, OCBC)

Andrew Wong
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Nicholas Koh Jun Ming
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
NicholasKoh@ocbc.com

Ezien Hoo
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com