

June 23, 2016

**Market Commentary:** The SGD swap curve traded downwards yesterday, with the short term rates traded 3bps lower, while the belly-to-long-end rates traded 1-2bps lower. Flows in the SGD corporates were fairly quiet with only better buying seen in MFCCN 3.85%'26s as investors stayed cautious ahead of the UK referendum to be held later today. Similarly, in the broader dollar space, the spread on JACI IG and HY corporates remained relatively unchanged at 228bps and 6.98% respectively. 10y UST yields decreased by 2bps to 1.69%.

**News Issues:** Astrea III Pte. Ltd. (Singapore) priced a 4-tranche USD/SGD bond deal, with the SGD228mn scheduled 3-year (Final maturity – 10years) Class A1 notes priced at 3.9% with expected ratings of “A/NR/A”. The USD170mn scheduled 5-year (Final maturity – 10years) Class A2 notes was priced at 4.65% with expected ratings of “NR/NR/A”. The USD100mn 10-year Class B notes was priced at 6.5% with expected ratings of “NR/NR/BBB”. The USD70mn 10-year Class C notes was priced at 9.25% with no credit ratings by S&P/Moody's/Fitch. Yunnan Metropolitan has scheduled investor road shows from 23 June, 2016 onwards for a potential USD bond issuance.

**Rating Changes:** S&P downgraded its long term credit rating on Power Construction Corp. of China (PCC) to “BBB+” from “A-“. The downgrade reflects PCC's deteriorated credit metrics in 2015, which is worse than S&P's forecast, due to large capital expenditure and a buildup in its property inventory. This resulted in an increase in its ratio of debt to EBITDA to 5.7x in 2015 from 4.4x in 2014, with its EBITDA interest coverage ratio falling to 2.3x from 3.3x. The outlook is stable, reflecting S&P's expectation that PCC's revenue and profit will grow steadily over the next 12-24 months, and that PCC's interest serving capacity will stabilize due to a favorable interest rate environment.

Table 1: Key Financial Indicators

	23-Jun	1W chg (bps)	1M chg (bps)		23-Jun	1W chg	1M chg
iTraxx Asiax IG	141	-12	-5	Brent Crude Spot (\$/bbl)	50.22	6.42%	3.87%
iTraxx SovX APAC	52	-2	-2	Gold Spot (\$/oz)	1,263.72	-1.15%	1.17%
iTraxx Japan	67	-3	-4	CRB	191.81	0.04%	4.70%
iTraxx Australia	127	-8	-6	GSCI	377.03	0.23%	3.33%
CDX NA IG	79	-4	-5	VIX	21.17	5.11%	33.82%
CDX NA HY	103	1	1	CT10 (bp)	1.703%	12.37	-13.25
iTraxx Eur Main	78	-8	0	USD Swap Spread 10Y (bp)	-12	1	2
iTraxx Eur XO	340	-40	6	USD Swap Spread 30Y (bp)	-47	2	1
iTraxx Eur Snr Fin	98	-15	1	TED Spread (bp)	38	-3	2
iTraxx Sovx WE	29	-2	3	US Libor-OIS Spread (bp)	25	-2	4
iTraxx Sovx CEEMEA	127	-9	-14	Euro Libor-OIS Spread (bp)	8	0	0
					23-Jun	1W chg	1M chg
				AUD/USD	0.752	2.15%	4.11%
				USD/CHF	0.959	0.58%	3.14%
				EUR/USD	1.133	0.93%	0.97%
				USD/SGD	1.337	0.88%	3.07%
Korea 5Y CDS	59	-4	-5	DJIA	17,781	0.80%	1.65%
China 5Y CDS	123	-7	-3	SPX	2,085	0.67%	1.83%
Malaysia 5Y CDS	157	-14	-5	MSCI Asiax	502	2.85%	4.70%
Philippines 5Y CDS	115	-3	1	HSI	20,795	3.78%	4.98%
Indonesia 5Y CDS	189	-9	-3	STI	2,805	1.93%	1.36%
Thailand 5Y CDS	117	-3	-5	KLCI	1,642	1.69%	0.44%
				JCI	4,897	1.70%	3.23%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
22-June-16	Astrea III Pte. Ltd	A/NR/A	SGD228mn	3-year	3.9%
22-June-16	Astrea III Pte. Ltd	NR/NR/A	USD170mn	5-year	4.65%
22-June-16	Astrea III Pte. Ltd	NR/NR/BBB	USD100mn	10-year	6.5%
22-June-16	Astrea III Pte. Ltd	NR/NR/NR	USD70mn	10-year	9.25%
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

Source: OCBC, Bloomberg

## Credit Headlines:

Capitaland Commercial Trust (“CCT”) & Capitaland Mall Trust (“CMT”): It was announced that Raffles City Singapore (“RCS”), 60% owned by CCT, 40% owned by CMT, has refinanced SGD1.07bn worth of borrowings on 21/06/16. The existing borrowings were refinanced with unsecured loan facilities provided by various banks, with an average term to maturity of 3.5 years. With this, the main debt maturities for 2016 for both CCT and CMT have been resolved. Looking forward, CCT has a manageable maturity schedule, with SGD175mn in convertible bonds due in 2017 and ~SGD400mn in borrowings due in 2018 (including anticipated borrowings for the acquisition of the balance of CapitaGreen). For CMT, the near-term maturity schedule is heavier with SGD295mn in mainly bonds maturing in 2017, and a further ~SGD500mn (USD400mn) bond due in 2018. As such, we can expect more supply from CMT to meet its refinancing needs. In aggregate, the refinancing of RCS borrowings improved CCT’s and CMT’s liquidity profile by extending the average term to maturity of their borrowings. That said, we will retain our Neutral Issuer Profile on both CCT and CMT. (Company, OCBC)

GuocoLand Ltd (“GUOL”): GUOL announced that with the recent signings of new-to-Singapore food and beverage (F&B) brands, retail commitments now comprise 70% of Tanjong Pagar Centre’s total retail space. While positive, it is worth noting that the Retail and F&B component is a relatively small contributor to the mixed use development’s total floor space at around 6%. No further updates have been released regarding the leasing progress of other components of Tanjong Pagar Centre with last news from early April 2016 indicating a slow take up of office space commitments. We currently have a Positive Issuer Profile on GUOL. (Company, OCBC)

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