

June 24, 2016

Market Commentary: The SGD swap curve was range-bound yesterday, with the short term rates trading 3bps lower, while the belly-to-long-end rates traded 1-2bps higher. Flows in the SGD corporates were light with mixed interest seen in GENSSP 5.13% 49s and SOCGEN 4.3% 26s. In the broader dollar space, the spread on JACI IG corporates decreased by 3bps to 225bps while the yield on JACI HY corporates remains relatively unchanged at 6.98%. 10y UST yield increased by 6bps to 1.75% on increasing expectations of a remain vote for BREXIT.

News Issues: CapitalLand Commercial Trust (CCT) Ltd. priced a SGD75mn 6-year bond at 2.77% (78bps above swaps) with expected ratings of "A-/NR/NR". Hanrui Overseas Investment Co. priced a USD300mn 3-year bond at 5.25%, tightening from its initial guidance of 5.4%. The expected ratings are "NR/NR/BB+".

Rating Changes: S&P downgraded Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (SSREIT) credit rating to "BB+" from "BBB-" and subsequently withdrew it ratings at the company's request. S&P revised its outlook on Japan-based information and communication technology company NEC Corp.'s "BBB" long term corporate credit rating to negative from stable. The revision reflects S&P's view that there is at least a one-third chance that financial indicators for the company will not improve within the next 18-24 months, as a result of a delay in recovery of its profitability or due to high debt under its aggressive growth strategy in 2016 and beyond. S&P also revised its outlook on CITIC Group Corp. and CITIC Ltd.'s "A-" long term credit rating to negative from stable, citing China's slowing economy and straining capitalization on a risk-adjusted basis as the main reasons. S&P downgraded its credit rating on China Automation Group Ltd. (CAG) to "B-" from "B+" with negative outlook. The downgrade reflects weakened profitability and leverage over the next 12 months and that profitability will remain sluggish. Moody's downgraded its family corporate credit rating of Golden Eagle Retail Group Ltd. to "B1" from "Ba3" with a negative outlook. The downgrade reflects Moody's concern that Golden Eagle's financial position will not improve materially in the next 12 to 18 months as China's economy continues to slow and the department store sector faces strong competition from online retail platforms. Moody's assigned a "A1" credit rating to ICBC Ltd. (Tokyo)'s USD4bn medium term note program, in line with ICBC Ltd.'s "A1" long term deposit rating, reflecting the structure of the proposed issuance. Moody's also assigned a "Ba3" credit rating to Biostime International Holding's Limited's USD400mn 7.25% 5-year bond with stable outlook. The rating assignment follows Biostime's completion of its USD bond issuance, the final terms and conditions which are consistent with Moody's expectation.

Table 1: Key Financial Indicators

	24-Jun	1W chg (bps)	1M chg (bps)		24-Jun	1W chg	1M chg
iTraxx Asiax IG	136	-11	-9	Brent Crude Spot (\$/bbl)	50.91	7.88%	5.29%
iTraxx SovX APAC	51	-3	-3	Gold Spot (\$/oz)	1,266.90	-2.44%	3.23%
iTraxx Japan	68	-3	-3	CRB	193.52	2.45%	5.55%
iTraxx Australia	124	-9	-9	GSCI	380.72	3.51%	3.99%
CDX NA IG	76	-7	-3	VIX	17.25	-10.94%	19.63%
CDX NA HY	103	1	1	CT10 (bp)	1.746%	16.70	-8.92
iTraxx Eur Main	75	-10	0	USD Swap Spread 10Y (bp)	-11	1	3
iTraxx Eur XO	321	-68	2	USD Swap Spread 30Y (bp)	-46	2	2
iTraxx Eur Snr Fin	95	-17	2	TED Spread (bp)	36	-4	1
iTraxx Sovx WE	28	-2	2	US Libor-OIS Spread (bp)	24	-2	4
iTraxx Sovx CEEMEA	124	-10	-16	Euro Libor-OIS Spread (bp)	8	0	0
					24-Jun	1W chg	1M chg
				AUD/USD	0.753	1.99%	4.89%
				USD/CHF	0.963	-0.32%	3.15%
				EUR/USD	1.131	0.26%	1.48%
				USD/SGD	1.345	0.34%	2.74%
Korea 5Y CDS	55	-7	-7	DJIA	18,011	1.57%	1.72%
China 5Y CDS	120	-8	-4	SPX	2,113	1.70%	1.79%
Malaysia 5Y CDS	152	-14	-8	MSCI Asiax	503	2.66%	5.50%
Philippines 5Y CDS	110	-5	-2	HSI	20,868	4.14%	5.23%
Indonesia 5Y CDS	183	-14	-10	STI	2,794	1.54%	1.59%
Thailand 5Y CDS	114	-4	-7	KLCI	1,640	1.55%	0.87%
				JCI	4,874	1.24%	3.47%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
23-June-16	CapitalLand Commercial Trust	A-/NR/NR	SGD75mn	6-year	2.77%
23-June-16	Hanrui Overseas Investment Co.	NR/NR/BB+	USD300mn	3-year	5.25%
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

Source: OCBC, Bloomberg

Credit Headlines:

Sabana Shari'ah Compliant Industrial REIT ("SSREIT"): SSREIT has requested S&P to withdraw its corporate credit rating on the REIT, following the amendment on the MAS Code on Collective Investment Schemes for REITs to adopt a single-tier aggregate leverage limit of 45% without the requirement for a credit rating. S&P reduced the rating from "BBB-" to "BB+" with a stable outlook right before withdrawing the rating. OCBC Credit Research does not cover SSREIT. (Company, OCBC)

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