

August 25, 2016

Credit Headlines (Page 2 onwards): Dah Sing Banking Group, ASL Marine Holdings Ltd., Industry Outlook – China Property

Market Commentary: The SGD dollar swap curve was range-bounded yesterday as investors stayed cautious ahead of Yellen's speech. Shorter term rates (<10Y) traded 1-3bps higher while the longer term rates (10-30Y) traded 1-2bps lower. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s while mixed interests were seen in HACLSP 6.5%'19s, NAB 4.15%'28s, BCHINA 2.75%'19s and GRCHAR 6%'17s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 199bps while the yield on JACI HY corporates also remained levelled at 6.37%. 10y UST yield increased 1bps to 1.56%.

New Issues: ASB Finance Ltd. has priced a USD650mn 5-year bond at CT5+105bps, tightening from its initial guidance at CT5+125bps. The expected ratings for the issue are "NR/Aa3/AA-". Xinyuan Real Estate Co. has priced a USD300mn 3-year bond at 8.125%. The expected ratings for the issue are "B-/NR/B".

Rating Changes: S&P revised its outlook on China Vanke's "BBB+" rating to negative from stable. The revision follows the increased uncertainty due to the on-going ownership tussle, thereby increasing the likelihood that the tension among the key shareholders and management team could ultimately weaken the company's steady business execution and good financial discipline. S&P revised its outlook on Canon Inc.'s "AA" corporate credit rating to negative from stable. The outlook revision reflects S&P's view that, in addition to the trend of declining profitability over recent years, the negative effects of an appreciating yen and sluggish sales of laser printers have hurt the company's operating performance and profitability. S&P placed Pactera Technology International Ltd.'s (Pactera) "B+" corporate credit rating on CreditWatch with development implications. The rating action was initiated following a proposal by HNA Group to acquire Pactera where the credit profile of Pactera will be reassessed once the acquisition is completed.

Table 1: Key Financial Indicators

	25-Aug	1W chg (bps)	1M chg (bps)		25-Aug	1W chg	1M chg
iTraxx Asiax IG	111	-1	-9	Brent Crude Spot (\$/bbl)	49.06	-3.60%	9.70%
iTraxx SovX APAC	41	-2	-7	Gold Spot (\$/oz)	1,325.61	-1.98%	0.76%
iTraxx Japan	59	2	1	CRB	185.75	-0.62%	2.45%
iTraxx Australia	100	-2	-11	GSCI	361.52	-0.98%	4.74%
CDX NA IG	72	2	-2	VIX	13.45	10.34%	4.51%
CDX NA HY	105	0	0	CT10 (bp)	1.561%	2.55	-1.20
iTraxx Eur Main	67	1	-1	USD Swap Spread 10Y (bp)	-15	-3	-6
iTraxx Eur XO	308	0	-13	USD Swap Spread 30Y (bp)	-56	-5	-13
iTraxx Eur Snr Fin	90	1	-3	TED Spread (bp)	53	0	12
iTraxx Sovx WE	25	1	-1	US Libor-OIS Spread (bp)	39	0	7
iTraxx Sovx CEEMEA	117	3	-12	Euro Libor-OIS Spread (bp)	6	0	0
					25-Aug	1W chg	1M chg
				AUD/USD	0.761	-1.00%	1.86%
				USD/CHF	0.967	-1.31%	1.95%
				EUR/USD	1.127	-0.76%	2.48%
				USD/SGD	1.356	-1.20%	0.50%
Korea 5Y CDS	44	1	-5	DJIA	18,481	-0.50%	-0.06%
China 5Y CDS	102	-1	-9	SPX	2,175	-0.31%	0.32%
Malaysia 5Y CDS	119	0	-21	MSCI Asiax	542	-1.33%	3.02%
Philippines 5Y CDS	88	1	-14	HSI	22,821	0.09%	3.76%
Indonesia 5Y CDS	141	2	-23	STI	2,870	0.92%	-2.06%
Thailand 5Y CDS	86	-1	-8	KLCI	1,682	-0.72%	0.83%
				JCI	5,404	0.60%	3.51%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
24-Aug-16	ASB Finance Ltd.	"NR/Aa3/AA-"	USD650mn	5-year	CT5+105bps
24-Aug-16	Xinyuan Real Estate Co.	"B-/NR/B"	USD300mn	3-year	8.13%
23-Aug-16	China Orient Asset Management Holdings	"NR/Baa1/A"	USD650mn	5-year	CT5+138bps
23-Aug-16	Hyundai Capital Services	"A-/Baa1/NR"	USD400mn	3-year	CT3+83bps
22-Aug-16	Small and Medium Business Corp.	"NR/Aa2/AA-"	USD500mn	10-year	CT10+68bps
21-Aug-16	Modernland Realty Tbk PT	"B/B2/B"	USD57mn	3-year	CT3+108bps
21-Aug-16	British Columbia	"NR/NR/NR"	AUD100mn	10-year	2.5%
19-Aug-16	Chinalco Capital Holdings	"NR/NR/NR"	USD800mn	5-year	4%

Source: OCBC, Bloomberg

Rating Changes (cont'd):

Fitch has assigned “BBB” issuer default ratings to Chongqing Western Modern Logistics Industry Zone Development Construction Co. Ltd. with a stable outlook. The key ratings drivers behind the rating assignment are the linkage with Chongqing Municipality and its strong creditworthiness.

Credit Headlines:

Dah Sing Banking Group Ltd (“DSBG”): DSBG reported its 1H2016 results with a somewhat familiar tale as an 11% rise in net interest income was overshadowed by a 24% contraction in net fee and commission income and a 64% fall in net trading income as well as a 78% rise in loan impairment losses. This translated to a 23% fall in operating profit after impairment losses to HKD803mn (1H2015: HKD1,044mn). Net interest income was boosted by lower funding costs which translated into improved net interest margins of 1.94% against 1H2015 (1.76%) and 2H2015 (1.90%) and mitigated weak loan growth from the challenging Hong Kong economy. This dynamic also impacted fee and commission income through lower fee income from trade finance, retail securities brokerage and commercial banking while financial market volatility in 1H2016 softened the bank's net trading income. Performance of DSBG's overseas businesses was somewhat resilient with Bank of Chongqing reporting a 10% rise in underlying profit. The rise in credit costs was mainly driven by performance of SME's in the Hong Kong commercial banking segment as well as higher volumes of unsecured personal loans in DSBG's retail banking segment. Despite the lower profitability, capital ratios improved moderately however with CET1/CAR ratios of 12.4%/16.7% as at 30 June 2016 against 12.2%/16.7% as at 31 Dec 2015 due to retained earnings as well as the slower asset growth which limited risk weighted asset levels. Overall, results reflect the weaker operating environment in Hong Kong and globally which has suppressed economic activity and loan demand and capped interest rates. That said, it's moderately lower exposure to China has somewhat protected the results compared to peers and its overall results exhibit some level of resilience and are consistent with FY2015 results. We maintain our neutral issuer profile on DSBG. (Company, OCBC)

ASL Marine Holdings Limited (“ASL”): On 24/08/16, ASL has announced a profit guidance with regards to its 4QFY2016 and fiscal year FY2016 results for the period ending June 2016. Management has indicated that ASL will be reporting a loss for 4QFY2016, driven mainly by provisions from the one-time re-organization of its Engineering segment, as well as by impairments on its receivables (which include 100% write-offs of Swiber Holdings related receivables), on its build-to-stock vessels and on its chartering fleet given the continued weakness in the industry. The results will be announced on 29/08/16. The steps ASL are taking are in-line with its peers. Most offshore marine issuers have already taken provisions / impairments during 4Q2015. In ASL's situation though, net gearing is already high at 139% (as of end-3QFY2016), and given the expected losses, net gearing is expected to worsen given the hit on equity. Before this, ASL has remained largely profitable despite the challenging offshore marine industry. We are currently holding ASL at Negative Issuer Profile, and will review ASL's 4QFY2016 results when it is released. ASL has a SGD100mn bond due in March 2017. (Company, OCBC)

Industry Outlook – China Property: Cheung Kong Properties Holdings (“Cheung Kong”) has reportedly put The Center up for sale. The Center, located in Central and completed in 1998 is one of the tallest office buildings in Hong Kong with 73 floors. The building with a valuation of HKD35bn is attracting has reportedly attracted a handful of bidders from the Mainland. Cheung Kong owns 48 floors in the building, with other portions sold to DBS and Guocco Group in the late 90s. (South China Morning Post)

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

Ezien Hoo, CFA

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W