

May 26, 2016

**Market Commentary:** The SGD swap curve was range-bounded yesterday, with the short term trading 1bps lower, while the belly-to-long-end rates traded 1bps higher. Flows in the SGD corporates were heavy, where we saw better buyers in SOCGEN 4.3%'26s, BNP 4.3%'25s, TATAIN 4.95%'23s and better sellers in MFCCN 3.85%'26s. Meanwhile we saw mixed interest in GEMAU 5.5%'19s, STANLN 4.4%'26s, NAB 4.15%'28s, GENSSP 5.13%'49s, FCLSP 4.88%'49s and NOLSP 4.4%'19s. In the broader dollar space, the spread on JACI IG corporates decreased by 2 bps to 221bps, while the yield on the JACI HY corporates decreased by 2 bps to 7.22%. 10y UST yield increased by 1 bps to 1.87bps.

**New Issues:** Bright Food Singapore Holdings Pte Ltd (guaranteed by Bright Food Group Co. Ltd) priced a EUR400m 3-year bond at 1.73%, tightening from its initial guidance of CT3+200 bps. The expected ratings are "BBB-/Baa3/A-". China Development Bank Corporation (CDB) priced a two-tranche deal, with the USD1bn 5-year bond priced at CT5+80bps, tightening from its initial guidance of CT5+105bps. CDB priced another USD600m 10-year bond at CT10+120bps, tightening from its initial guidance of CT10+145bps. The expected ratings are "AA-/Aa3/NR". United Engineers priced a SGD150m 5-year bond at 3.68%, tightening from its initial guidance of 3.8%.

**Rating Changes:** Fitch has downgraded its credit rating of Beijing Automotive Group Co Ltd (BAIC Group) to "BBB+" from "A-". Additionally, Fitch also downgraded the company's senior debt rating to "BBB+" from "A-". The downgrade reflects the group's deteriorating financial profile from increased leverage, operating losses, significant cash outflow on capital expenditure and increased working capital. The outlook is stable. Moody's withdrew the corporate family rating for Hilong Holding Ltd for its own business reasons. The credit rating prior withdrawal was "B1" and outlook was negative. Moody's assigned a "Baa3" credit rating to DP World Crescent Ltd's "Trust Certificate Issuance Programme". The same credit rating was assigned for the long-term issuer rating of DP World Limited, reflecting that holders will effectively be exposed to DP World Limited's senior unsecured credit risk. Moody's also lowered Macau's rating to "Aa3" from "Aa2" reflecting pressures on Macau's economy from challenging operating conditions for the gaming sector. Outlook is negative.

Table 1: Key Financial Indicators

	26-May	1W chg (bps)	1M chg (bps)		26-May	1W chg	1M chg
iTraxx Asiax IG	142	-6	2	Brent Crude Spot (\$/bbl)	49.75	1.93%	8.77%
iTraxx SovX APAC	53	-3	-5	Gold Spot (\$/oz)	1,226.25	-2.27%	-1.38%
iTraxx Japan	68	-3	1	CRB	185.30	-0.05%	2.10%
iTraxx Australia	128	-5	-4	GSCI	370.68	0.19%	5.41%
CDX NA IG	77	-8	2	VIX	13.9	-12.85%	-0.43%
CDX NA HY	103	2	0	CT10 (bp)	1.856%	0.73	-7.11
iTraxx Eur Main	72	-9	0	USD Swap Spread 10Y (bp)	-14	0	0
iTraxx Eur XO	307	-31	2	USD Swap Spread 30Y (bp)	-48	1	-1
iTraxx Eur Snr Fin	90	-11	2	TED Spread (bp)	34	0	-4
iTraxx Sovx WE	26	0	-1	US Libor-OIS Spread (bp)	20	-1	-4
iTraxx Sovx CEEMEA	140	-2	9	Euro Libor-OIS Spread (bp)	9	0	-1
					26-May	1W chg	1M chg
				AUD/USD	0.720	-0.46%	-7.15%
				USD/CHF	0.991	-0.03%	-1.77%
				EUR/USD	1.116	-0.36%	-1.19%
				USD/SGD	1.376	0.37%	-1.77%
Korea 5Y CDS	60	-7	-4	DJIA	17,852	1.85%	-0.77%
China 5Y CDS	122	-8	-5	SPX	2,091	2.10%	-0.06%
Malaysia 5Y CDS	159	-7	-4	MSCI Asiax	486	2.39%	-4.67%
Philippines 5Y CDS	110	-7	9	HSI	20,368	2.73%	-4.85%
Indonesia 5Y CDS	189	-11	-5	STI	2,767	-0.38%	-4.42%
Thailand 5Y CDS	122	-5	-2	KLCI	1,631	-0.29%	-3.64%
				JCI	4,773	0.82%	-0.85%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
25-May-16	Bright Food Singapore Holdings	BBB-/Baa3/A-	EUR400mn	3-year	1.73%
25-May-16	China Development Bank Corporation	AA-/Aa3/NR	USD1bn	5-year	CT5+80bps
25-May-16	China Development Bank Corporation	AA-/Aa3/NR	USD600mn	10-year	CT10+120bps
25-May-16	United Engineers	NR/NR/NR	SGD150mn	5-year	3.68%
24-May-16	CCB Leasing	NR/A3/A	USD400mn	3-year	CT3+155bps
24-May-16	CCB Leasing	NR/A3/A	USD600mn	5-year	CT5+168bps
24-May-16	361 Degree	BB/NR/BB	USD400mn	5NC3	7.25%
24-May-16	China Three Gorges	NR/Aa3/A+	USD500mn	5-year	CT5+90bps

Source: OCBC, Bloomberg

## Credit Headlines:

CMA CGM SA ("CMA CGM"): CMA CGM announced that the proposed SGD3.4bn acquisition of Neptune Orient Lines Ltd (NOL) has received anti-trust clearance from the Chinese authorities. Final hurdle for the deal to clear will be regulatory approvals from US authorities after the company obtained approval from the European Commission last month (one of the pre-conditions is anti-trust clearance from the US, EU and China). Management probably has some visibility and confidence in that, and expects to announce the formal tender offer latest by 2 June 2016. CMA CGM currently needs another 12.5% of shares to be tendered before hitting the 90% required for mandatory delisting having acquired 10.64% of NOL shares on the secondary market and coupled with Temasek's 66.81% stake. We have a Neutral Issuer rating profile on NOL and have recently moved the SGD NOL curve down to Neutral after the strong rally this year while noting that the CMA CGM EUR curve is trading at a significant discount to the NOL SGD curve, particularly in the front end. (Company, OCBC)

Soildbuild REIT ("SBREIT"): Earlier on 18 May 2016, SBREIT announced that its Trustee had issued writ of summons against Technics Offshore Engineering Pte Ltd, its tenant at 72 Loyang Way, Singapore and the guarantor, Technics Oil & Gas Limited (collectively "Technics Group"). The property was acquired by SBREIT in 2015 via a sales-and-leaseback transaction with the Technics Group as vendors. SBREIT is claiming that the tenant had defaulted on its rental payment and other outstanding sums. SBREIT had then proceeded to call on a bank guarantee amounting to SGD11.8m from United Overseas Bank Ltd. This bank guarantee forms the security deposit on the tenancy relationship, amounting to 18 months of rent. Subsequently on 19 May 2016, it was disclosed that Technics Group had in turned filled summonses and injunctions against SBREIT, claiming unlawful conspiracy on the sales and leaseback transaction and seeking to restrain the call on the bank guarantee. Yesterday, Technics Group announced that its attempt to restrain the call had been unsuccessful and that the SGD11.8m has since been paid to SBREIT. The legal suits concerning both parties remain outstanding. OCBC Credit Research does not cover SBREIT. (Company, OCBC)

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