

August 29, 2016

Market Commentary: The SGD swap curve traded upwards last Friday with swap rates traded 1-5bps higher across all tenors with the exception of the overnight swap rate that traded 22bps higher. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s and better selling seen in SCISP 4.75%'49s. Meanwhile mixed interests were seen in GEMAU 5.5%'19s and NAB 4.15%'28s. In the broader dollar space, the spread on JACI IG corporates decreased 2bps to 199bps while the yield on JACI HY corporates increased 2bps to 6.39%. 10y UST yield increased 5bps to 1.62% following slightly hawkish comments from Yellen that mentioned the case for the next rate hike has "strengthened" but offered no specific clues on the timing for the next move.

New Issues: Cikarang Listrindo has scheduled investor road shows from 29 August onwards for potential USD bond issuance with expected issue ratings of "BB/Ba2/NR". Dongxing Securities Hong Kong held a discussion with banks last Friday for a potential USD bond issuance. NongHyup Bank has also mandated several banks to arrange investor meetings in Asia, Europe and U.S during 29 August to 1 September.

Rating Changes: S&P revised its outlook on Swire Pacific Ltd. to negative from stable and affirmed its corporate rating at "A-". The outlook revision reflects S&P's view that the company's financial leverage is likely to remain elevated over the next 12-18 months and that the weak economic conditions in Greater China and volatile oil prices will continue to affect the group's earnings and profitability. At the same time, S&P also revised its outlook on Swire Properties Ltd. to negative from stable and affirmed its corporate credit rating at "A-". The revision is linked to the action on the company's parent to reflect S&P's view that the company's creditworthiness is capped by the group credit profile of Swire Pacific Ltd.

Table 1: Key Financial Indicators

	29-Aug	1W chg (bps)	1M chg (bps)		29-Aug	1W chg	1M chg
iTraxx Asiax IG	112	0	-8	Brent Crude Spot (\$/bbl)	49.54	0.77%	16.67%
iTraxx SovX APAC	40	-2	-7	Gold Spot (\$/oz)	1,319.60	-1.46%	-2.34%
iTraxx Japan	53	-5	-5	CRB	186.11	-1.41%	2.82%
iTraxx Australia	100	-1	-10	GSCI	363.07	-1.99%	6.98%
CDX NA IG	72	0	0	VIX	13.65	20.37%	15.00%
CDX NA HY	105	0	0	CT10 (bp)	1.619%	7.69	16.62
iTraxx Eur Main	67	-2	0	USD Swap Spread 10Y (bp)	-14	0	-4
iTraxx Eur XO	307	-10	-11	USD Swap Spread 30Y (bp)	-55	-1	-10
iTraxx Eur Snr Fin	89	-4	-3	TED Spread (bp)	52	0	9
iTraxx Sovx WE	25	-1	-1	US Libor-OIS Spread (bp)	37	-3	1
iTraxx Sovx CEEMEA	109	-6	-14	Euro Libor-OIS Spread (bp)	6	0	0
					29-Aug	1W chg	1M chg
				AUD/USD	0.754	-1.14%	-0.75%
				USD/CHF	0.978	-1.55%	-0.83%
				EUR/USD	1.120	-1.10%	0.19%
				USD/SGD	1.362	-0.82%	-1.62%
Korea 5Y CDS	43	-1	-6	DJIA	18,395	-0.85%	-0.20%
China 5Y CDS	101	-1	-9	SPX	2,169	-0.68%	-0.21%
Malaysia 5Y CDS	120	1	-20	MSCI Asiax	544	0.13%	3.23%
Philippines 5Y CDS	86	-2	-14	HSI	22,910	-0.12%	4.65%
Indonesia 5Y CDS	142	4	-19	STI	2,858	0.48%	-0.38%
Thailand 5Y CDS	83	-3	-10	KLCI	1,683	-0.27%	1.80%
				JCI	5,439	0.42%	4.27%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
25-Aug-16	Development Bank of Japan	"NR/NR/NR"	USD550mn	5-year	CT5+57bps
25-Aug-16	Development Bank of Japan	"NR/NR/NR"	USD1.1bn	10-year	CT10+41bps
24-Aug-16	ASB Finance Ltd.	"NR/Aa3/AA-"	USD650mn	5-year	CT5+105ps
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

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's has revised its outlook on China Vanke Co. Ltd.'s "Baa1" issuer rating to negative from stable. The negative outlook reflects the consideration that China Vanke's management dispute with its largest shareholder could increase the risk of changes to the company's existing management team, business strategy and financial policy. Additionally, it also reflects the fact that as long as the dispute remains unresolved, the company faces increased operating challenges and certain increased requirements by its banks, even without any change in management. Moody's has placed COFCO (Hong Kong) Ltd.'s "A3" issuer rating on review for downgrade amidst concern that COFCO HK's acquisition of the remaining stake in Nidera could increase its debt leverage and its exposure to Nidera's weak commodity trading businesses which will in turn weaken the company's standalone credit strength. Moody's has downgraded the corporate family rating of Pactera Technology International Ltd. to "B2" from "B1" with its rating continuing on review for further downgrade. The rating action reflects that the on-going operating challenges will continue to pressure the company's operating margin below the levels expected for the "B1" rating category. Fitch downgraded China-based drilling rig manufacturer Honghua Group Ltd.'s issuer default rating to "CCC" from "B-". The downgrade reflects substantial weakness in operations and financials in a sharp industry downturn. No outlook was assigned to the rating.

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