

June 29, 2016

Market Commentary: The SGD swap curve steepened yesterday, with the short-term rates traded 1-7bps lower while the belly-to-long-end rates traded 2-5bps higher. Flows in the SGD corporates were heavy with better buying seen in STANLN 4.4%'26s, MFCCN 3.85%'26s and SOCGEN 4.3%'26s while we also saw mixed interest in ABNANV 4.7%'22s and ABNANV 4.75%'26s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 235bps while the yield on JACI HY corporates decreased by 2bps to 6.93%. 10y UST yield increased by 3bps to 1.47% as treasuries snapped a two-day surge.

New Issues: CITIC Envirotech Ltd. will issue USD180m of 5.45% perpetual securities. The issue was a re-opening of an earlier USD perpetual and has an issue price of 102.715. Effectively, the deal was priced at 4.25% tightening from an initial guidance of 4.45%. HT Global IT Solutions has scheduled investor road show meetings from 29 June, 2016 onwards for potential USD bond issue with expected ratings of "BB-/NR/BB-".

Rating Changes: S&P revised its outlook on Indonesia-based integrated power producer, PT Perusahaan Listrik Negara (PLN) to stable from positive. The outlook revision reflects S&P's assessment that PLN's cash flow adequacy and debt-servicing ratios will remain thin over the next three to four years. S&P assigned a first time corporate credit rating of "BB+" to Beijing Capital Land Ltd. (BCL) with a negative outlook. The rating is underpinned by the group credit profile of its parent company, Beijing Capital Group Co. Ltd. (BCG) which S&P assessed as a highly strategic subsidiary of BCG. Additionally, BCL has demonstrated satisfactory sales execution despite its land bank's positioning in some lower-tier cities. The negative outlook reflects S&P's expectation that BCG's debt leverage and EBITDA interest coverage will remain weak over the next 24 months. Moody's revised its outlook on 12 UK financial institutions that include Barclays Plc. and HSBC Holdings Plc. to negative from stable, and Lloyds Bank Plc. to stable from positive. The outlook revisions reflects Moody's expectation of lower economic growth and heightened uncertainty over the UK's future trade relationship with the EU which could lead to reduced demand for credit, higher credit losses and more volatile wholesale funding conditions. Moody's upgraded its corporate credit rating on TFS Corporation Ltd. (Timber Resources) to "B2" from "B3", reflecting the transformation of TFS's business profile in view of the change in its revenue composition. The outlook is stable.

Table 1: Key Financial Indicators

	29-Jun	1W chg (bps)	1M chg (bps)		29-Jun	1W chg	1M chg
iTraxx Asiax IG	147	6	7	Brent Crude Spot (\$/bbl)	48.58	-4.03%	-1.50%
iTraxx SovX APAC	53	2	1	Gold Spot (\$/oz)	1,313.17	3.71%	8.98%
iTraxx Japan	73	7	9	CRB	191.54	-0.79%	2.91%
iTraxx Australia	134	7	8	GSCI	372.10	-2.12%	0.06%
CDX NA IG	85	6	9	VIX	18.75	1.46%	42.91%
CDX NA HY	102	-1	-1	CT10 (bp)	1.466%	-23.95	-38.46
iTraxx Eur Main	94	16	23	USD Swap Spread 10Y (bp)	-12	0	2
iTraxx Eur XO	393	53	87	USD Swap Spread 30Y (bp)	-47	1	1
iTraxx Eur Snr Fin	129	31	40	TED Spread (bp)	38	0	1
iTraxx Sovx WE	36	7	10	US Libor-OIS Spread (bp)	26	0	6
iTraxx Sovx CEEMEA	135	7	-3	Euro Libor-OIS Spread (bp)	8	0	-1
					29-Jun	1W chg	1M chg
				AUD/USD	0.740	-1.41%	2.95%
				USD/CHF	0.980	-2.23%	1.20%
				EUR/USD	1.108	-1.95%	-0.56%
				USD/SGD	1.353	-1.06%	2.13%
Korea 5Y CDS	60	2	3	DJIA	17,410	-2.36%	-2.59%
China 5Y CDS	127	4	4	SPX	2,036	-2.53%	-3.00%
Malaysia 5Y CDS	162	5	5	MSCI Asiax	489	-2.61%	-0.78%
Philippines 5Y CDS	118	3	7	HSI	20,172	-2.40%	-1.96%
Indonesia 5Y CDS	191	2	2	STI	2,757	-1.18%	-1.64%
Thailand 5Y CDS	116	-1	-4	KLCI	1,634	-0.22%	-0.19%
				JCI	4,882	0.07%	1.40%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
28-June-16	CITIC Envirotech Ltd.	NR/NR/NR	USD180mn	Perp.	4.25%
24-June-16	Housing & Development Board	NR/Aaa/NR	SGD700mn	15-year	2.55%
23-June-16	CapitaLand 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%

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Fitch has placed Baosteel Resources International Co. Ltd.'s (BRI) long-term issuer default rating of "BBB+" on Rating Watch Evolving (RWE), following Fitch's rating action of placing its parent company's, Baosteel Group Corp., credit rating of "A-" on RWE. The outlook revision reflects uncertainty over the outcome of Fitch's reassessment of Baosteel Group's announced restructuring with Wuhan Iron and Steel Group on 26 June, 2016. BRI is rated one notch below its parent company due to its strong linkage arising from its unique position as the group's only offshore resource development platform, overseas resource trading platform and offshore financing vehicle.

Credit Headlines:

GuocoLand Ltd ("GUOL"): GUOL was the highest bidder during a Government Land Sale ("GLS") for a plot in River Valley (District 9). GUOL's bid of SGD595.1mn narrowly won over a Hong Leong / CDL consortium bid of SGD588mn. GUOL's bid works out to be SGD1239 psf per plot ratio. In all, there were 13 bidders, indicating healthy interest and potentially signalling a trough to the Singapore private residential market, potentially given the recent recovery in transaction volumes. In general, developers had been paring down their Singapore inventories given the challenging environment and minimizing new investments. GUOL is able to finance the land purchase with its cash balance (1Q2016: SGD1.66bn). It should be noted that GUOL had earlier called SGD200mn in perpetual securities in May, which brought net gearing higher from 59% (1Q2016) to pro-forma 68%. The land purchase is estimated to bring net gearing even higher to pro-forma 77%. That said, cash balance would remain ~SGD860mn after adjustments, and would be adequate to meet near-term maturities of SGD540mn. We will retain our Positive Issuer Profile for now. (Business Times, OCBC)

Neptune Orient Lines Limited ("NOL"): As a follow-up to our brief yesterday, it was announced that as of 28/06/16, CMA CGM has crossed the threshold of 91.05% ownership of NOL, that would allow CMA CGM to initiate the compulsory acquisition of all the NOL shares held by NOL shareholders who have not accepted the offer, in accordance with the Companies Act (Chapter 50 of Singapore). CMA CGM intends to exercise its rights to acquire the balance of shares as soon as practicable after the close of the existing tender offer. The compulsory acquisition exercise is expected to take at least a month after commencement. When completed, NOL will become a wholly-own subsidiary of CMA CGM. (Company, OCBC)

Mapletree Logistics Trust ("MLT"): MLT announced that they are acquiring a warehouse in Shah Alam, Malaysia for SGD53.2m from its Sponsor, Mapletree Investments Pte Ltd. The property has an NPI yield of 7.5% with a 100% occupancy and a shorter weighted average lease expiry of 1.7 years (by net lettable area). The acquisition is targeted to complete by November 2016 (subject to government approvals). Following the acquisition, gross revenue contribution from Malaysia will increase from 4.2% to 5.3%. As at 31 March 2016, MLT's gearing was ~40%. In May 2016, MLT raised SGD250m in perpetual securities, this acquisition will be fully funded by the proceeds from this perpetual issuance. Post-acquisition, gearing will go to ~37%. (OCBC, Company)

CITIC Envirotech Ltd ("CEL"): CEL priced a USD180m (~SGD234m) perpetual securities at 5.45% with an issue price of 102.715 under a re-opening of an earlier USD perpetual issuance. The securities rank pari passu among themselves and with all present and future unsecured obligations (ie: same rank as the pre-existing SGD bonds issued at the Singapore listed entity). Proceeds from the USD perpetual will be used to refinance a bond coming due in September (~SGD98m outstanding) and we expect the remainder to be applied at the operating level in China to fund new projects. Assuming a 60:40 funding structure, the remaining proceeds can fund up to SGD340m worth of new projects. (OCBC, Company)

China Vanke Co. Ltd ("VANKE"): The board tussle at VANKE between the company's major shareholders and senior management team has escalated with a major shareholder calling for the ousting of the founding chairman, Mr Wang Shi and for the board to resign en masse. Hostile takeover attempts in China (especially those concerning State-owned Enterprises and companies with partial state ownership) are unprecedented. We maintain that the company's credit standing remains commendable, however, in light of the rising management and board uncertainty we are putting VANKE's Positive issuer profile under review. (OCBC, Financial Times)

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