

June 30, 2016

Market Commentary: The SGD swap curve traded upwards yesterday, with the swap rates traded 1-5bps higher across all tenors except the 12 year spot. Flows in the SGD corporates were heavy with better buying seen in GEMAU 5.5%'19s, MLTSP 4.18%'49s, YLLGSP 6.2%'17s and ABNANV 4.7%'22s. Better selling were seen in HYFSP 5.75%'49s while we also saw mixed interest in OLAMSP 6%'22s. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 233bps while the yield on JACI HY corporates decreased by 8bps to 6.84%. 10y UST yield increased by 5bps to 1.52% following diminished concern over the impact of UK's exit from the EU.

New Issues: Fullerton Healthcare Corp. priced a 2-tranche deal yesterday, with the SGD50mn 5NC3 bond priced at 2.45%, tightening from its initial guidance of 2.55%. The other tranche of SGD50mn 7NC3 was priced at 2.75%, tightening from its initial guidance of 2.85%. The expected ratings are "AA/NR/NR" based on a guarantee from Asian Development Bank's Credit Guarantee and Investment Facility. First Real Estate Investment Trust has launched a SGD subordinated perpetual with initial guidance in the area of 5.80%.

Rating Changes: S&P affirmed its corporate credit rating of "BB-" on Golden Eagle Retail Group Ltd. (GE) with a stable outlook. The affirmation follows S&P's view that GE will be able to maintain adequate liquidity after receiving consent waivers from lenders for its covenant breach. S&P downgraded COFCO Hong Kong Ltd. to "BBB+" from "A-" with a stable outlook. The downgrade reflects S&P's expectation of EBITDA interest coverage for COFCO HK's parent COFCO to remain relatively weak and debt leverage to stay high over the next 12 months. S&P affirmed its "A-" issuer credit rating on China Cinda Asset Management Co. Ltd. (China Cinda) with a stable outlook and also raised the issuer credit rating on Hong Kong-based subsidiary China Cinda HK Holdings Co. Ltd. (Cinda HK) to "A-" from "BBB+" with a stable outlook. The affirmation of China Cinda reflects S&P's expectation that its planned RMB30bn preference share issuance will be able to replenish its capitalization. The relative strength of newly-acquired Nanyang Commercial Bank also supports China Cinda's credit profile. The upgrade of its subsidiary reflects S&P's view of Cinda HK as a core subsidiary of the group. Moody's has placed Nextgen Networks Group Pty. Ltd.'s "B1" corporate credit rating on review for upgrade. The decision follows Moody's assumption that the agreement for Vocus Communications Limited to acquire Nextgen Networks will be credit positive due to operational benefits from becoming part of a full-service vertically integrated telecommunications provider.

Table 1: Key Financial Indicators

	30-Jun	1W chg (bps)	1M chg (bps)		30-Jun	1W chg	1M chg
iTraxx Asiax IG	140	4	-3	Brent Crude Spot (\$/bbl)	50.61	1.46%	2.62%
iTraxx Sovx APAC	51	0	-2	Gold Spot (\$/oz)	1,316.17	4.72%	8.30%
iTraxx Japan	70	2	5	CRB	194.64	1.47%	4.56%
iTraxx Australia	126	2	0	GSCI	380.33	0.88%	2.53%
CDX NA IG	81	5	5	VIX	16.64	-21.40%	17.27%
CDX NA HY	103	-1	0	CT10 (bp)	1.510%	-23.54	-34.06
iTraxx Eur Main	86	11	13	USD Swap Spread 10Y (bp)	-12	0	3
iTraxx Eur XO	374	53	63	USD Swap Spread 30Y (bp)	-47	0	1
iTraxx Eur Snr Fin	117	22	27	TED Spread (bp)	39	1	2
iTraxx Sovx WE	32	4	7	US Libor-OIS Spread (bp)	25	1	2
iTraxx Sovx CEEMEA	126	3	-14	Euro Libor-OIS Spread (bp)	6	-2	-2
					30-Jun	1W chg	1M chg
				AUD/USD	0.747	-1.92%	3.22%
				USD/CHF	0.980	-2.21%	1.46%
				EUR/USD	1.112	-2.32%	-0.10%
				USD/SGD	1.347	-0.67%	2.31%
Korea 5Y CDS	55	--	-5	DJIA	17,695	-0.48%	-0.52%
China 5Y CDS	118	-1	-7	SPX	2,071	-0.70%	-1.25%
Malaysia 5Y CDS	152	--	-10	MSCI Asiax	496	-1.42%	0.29%
Philippines 5Y CDS	112	3	0	HSI	20,436	-1.73%	-1.82%
Indonesia 5Y CDS	182	-1	-11	STI	2,793	0.24%	0.06%
Thailand 5Y CDS	112	-2	-10	KLCI	1,642	0.28%	1.00%
				JCI	4,980	1.70%	3.82%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
30-June-16	Fullerton Healthcare Corp.	AA/NR/NR	USD50mn	5NC3	2.45%
30-June-16	Fullerton Healthcare Corp.	AA/NR/NR	SGD50mn	7NC3	2.75%
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%

Source: OCBC, Bloomberg

Credit Headlines:

China Vanke Co. Ltd ("VANKE"): VANKE's SGD bond price has held up despite the ongoing management and board tussle at the company. Currently the VANKE 3.275 '17s are trading at a price of 100.85 with YTM of 2.62%. Whilst this still offers a spread pickup to other BBB+ names in the SG space, we think it has reached fair value with downside possibility dominating further upsides. In addition to on-going uncertainty, selling pressure in the non-SGD bond space may spillover to the SGD bond. Via an announcement to the Shenzhen Stock Exchange, China Chengxin Credit Rating Group ("Chengxin") has officially issued a statement stating if the shareholders proposal to remove senior management and the board en masse goes through, this will pressure the company's credit rating. Chengxin currently holds VANKE's domestic rating at "AAA". (OCBC, Company)

Capitaland Mall Trust ("CMT"): CMT has priced a HKD560mn (~SGD97mn) 10Y bond paying a coupon of 2.71%. This swaps into a SGD equivalent of ~2.82%, or ~70bps above 10Y SDSW. The issuer was able to price the bond distinctly tighter than the existing SGD CMT curve of ~120bps spread for 10Y bonds. We believe the bond issuance to be opportunistic as CMT does not have any immediate refinancing needs given that it has already refinanced its Raffles City related borrowings. It however has SGD295mn maturing in 2017 and a further SGD505mn due in 2018. The next bond maturity is the SGD100mn CAPITA 3.85% 2017 maturing on 15/03/2017. We will continue to hold CMT at Neutral Issuer Profile. (Company, SGX)

Otto Marine Limited ("OTML"): OTML has announced the commencement of the consent solicitation exercise with regards to its OTMLSP'16 bonds, to facilitate the delisting proposal made by Mr Yaw Chee Siew, the controlling shareholder of OTML. Given that OCBC is one of the agents involved in the consent solicitation, we have suspended our recommendations on OTML as well as on the OTMLSP'16 bonds until the exercise is completed. (Company, OCBC)

First Real Estate Investment Trust ("FIRT"): Given that OCBC is a joint lead manager and book runner in FIRT's recently announced issue, we have suspended our recommendations on First REIT and the FIRTSP '18's until the exercise is completed. (SGX, OCBC)

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