

Mar 31, 2016

Market Commentary: The SGD swap curve bull-steepened yesterday mirroring moves in overnight treasuries post-Yellen. Short-end rates traded 8bps-11bps lower while the belly-to-long-end rates traded 7bps-8bps lower. In the broader dollar space, the spread on JACI IG corporates was level at 232bps, while the yield on the JACI HY corporates fell by 7bps to 7.73%. 10y UST increased by 2bps to 1.82%, partly retracing the previous day's declines.

New Issues: 2 REITs issued paper yesterday, Soilbuild REIT priced a SGD100mn 5-year bond at 3.6%, in line with its initial guidance. The expected rating for the issue is "NR/Baa3/NR". Ascendas REIT also priced a SGD130mn 5-year deal at 2.655% or SDSW5+74bps.

Rating Changes: Moody's has concluded the reviews for downgrades announced on 17 February, the rating actions are as follows:

- Moody's confirmed the "Aa3" issuer rating of China National Offshore Oil Corporation (CNOOC Group) and its key subsidiary, CNOOC Limited. The ratings outlook is negative.

- Moody's has lowered CNOOC Group's Baseline Credit Assessment (BCA) to "baa1" from "a3" as a result of deterioration in financial profile due to the weak oil price environment. Outlook is negative.

- Moody's has confirmed the "Aa3" issuer rating of China National Petroleum Corporation ("CNPC"), reflecting Moody's expectation that its credit metrics will stay within the tolerance levels for its BCA of "a1" despite weaker oil prices. Outlook is negative.

- Moody's has confirmed the "Aa3" issuer rating of China Petrochemical Corporation ("Sinopec Group") and its listed subsidiary, China Petroleum and Chemical Corporation ("Sinopec Corp") and the "A1" issuer rating of Sinopec Century Bright Capital Investment Limited ("SCB")., reflecting Moody's expectation that its credit metrics will remain stable despite weaker oil prices. Outlook is negative.

Table 1: Key Financial Indicators

	31-Mar	1W chg (bps)	1M chg (bps)		31-Mar	1W chg	1M chg
iTraxx Asiax IG	146	-7	-10	Brent Crude Spot (\$/bbl)	39.04	-3.53%	8.53%
iTraxx SovX APAC	55	-3	-19	Gold Spot (\$/oz)	1,227.86	0.71%	-0.52%
iTraxx Japan	89	-4	-10	CRB	170.97	-3.47%	4.75%
iTraxx Australia	140	-6	-16	GSCI	323.30	-4.21%	6.48%
CDX NA IG	78	-5	-29	VIX	13.56	-4.30%	-34.01%
CDX NA HY	103	-2	3	CT10 (bp)	1.816%	-8.42	8.11
iTraxx Eur Main	72	-4	-27	USD Swap Spread 10Y (bp)	-14	-1	2
iTraxx Eur XO	310	-11	-98	USD Swap Spread 30Y (bp)	-48	0	5
iTraxx Eur Snr Fin	90	-5	-18	TED Spread (bp)	43	10	11
iTraxx Sovx WE	25	-2	-9	US Libor-OIS Spread (bp)	25	2	0
iTraxx Sovx CEEMEA	148	-3	-40	Euro Libor-OIS Spread (bp)	11	0	-5
					31-Mar	1W chg	1M chg
				AUD/USD	0.767	2.10%	7.29%
				USD/CHF	0.964	1.02%	3.73%
				EUR/USD	1.134	1.53%	3.99%
				USD/SGD	1.350	1.46%	4.16%
Korea 5Y CDS	64	-3	-4	DJIA	17,717	0.76%	7.27%
China 5Y CDS	120	-9	-14	SPX	2,064	0.69%	6.82%
Malaysia 5Y CDS	151	-8	-25	MSCI Asiax	506	1.88%	10.79%
Philippines 5Y CDS	104	-4	-16	HSI	20,803	0.58%	8.85%
Indonesia 5Y CDS	196	-10	-34	STI	2,873	-0.27%	7.74%
Thailand 5Y CDS	132	-9	-20	KLCI	1,718	-0.39%	3.81%
				JCI	4,817	-0.81%	0.96%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
30-Mar-16	Soilbuild REIT	NR/Baa3/NR	SGD100mn	5-year	3.6%
29-Mar-16	Ascendas REIT	NR/A3/NR	SGD130mn	5-year	2.655%
29-Mar-16	Government of Mongolia	B/B2/B	USD500mn	5-year	10.875%
24-Mar-16	Yunnan Provincial Investment Holdings	NR/NR/BBB+	USD300mn	3-year	3.375%
24-Mar-16	TMB Bank Public Co Ltd	BBB-/Baa2/BBB-	USD300mn	5.5-year	3.108%
23-Mar-16	ABN AMRO Bank	Baa3/BBB-/A-	SGD450mn	10-year	4.75%
23-Mar-16	Blue Sky Fliers Co	NR/NR/NR	USD120mn	3-year	6.90%
22-Mar-16	TA Corporation Ltd	NR/NR/NR	SGD40mn	2-year	5.5%

Source: OCBC, Bloomberg

Note: Ratings for ABN AMRO Bank reflects issue ratings

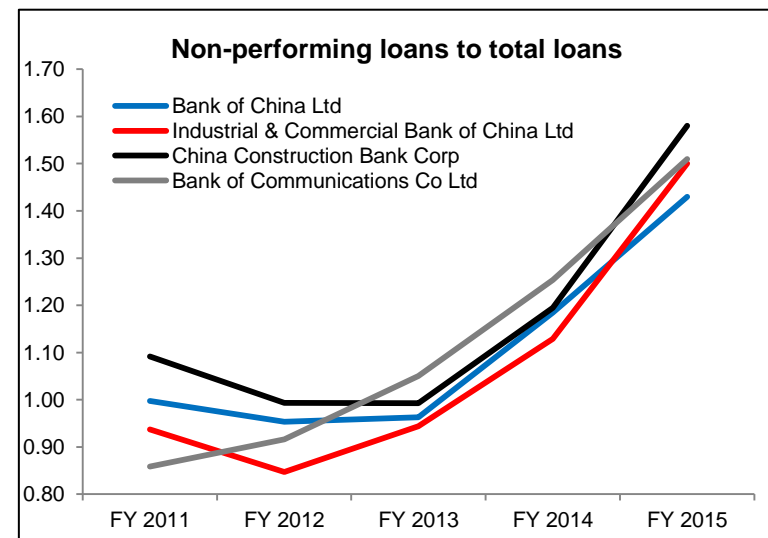
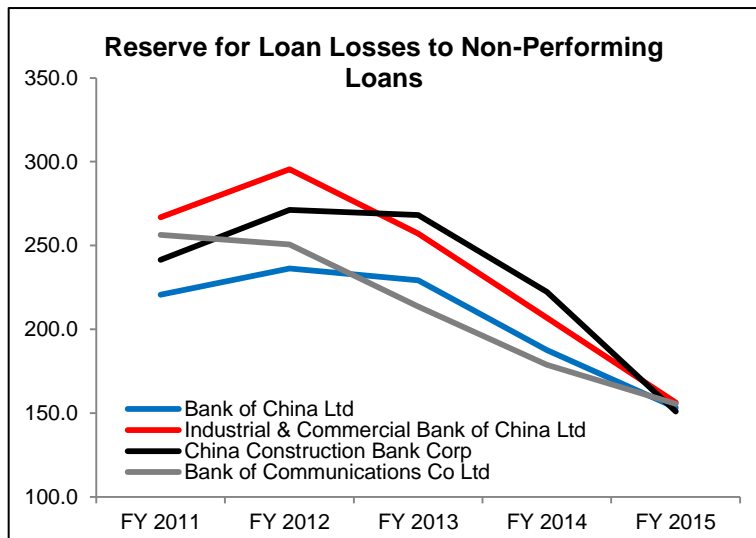
Rating Changes (cont'd): Moody's has confirmed Kunlun Energy Company Limited's "A1" issuer and senior unsecured ratings. The rating action follows the confirmation of CNPC's rating with negative outlook as Kunlun Energy is a majority owned subsidiary of CNPC. Its rating benefits from three notches of uplift reflecting the company's strategic importance within the CNPC group. Moody's affirmed Marubeni Corporation's "Baa2" issuer rating, and changed Marubeni's outlook to negative from stable. This is to reflect Moody's expectation that Marubeni will be unable to reduce its leverage to the levels previously expected due to a sustained challenging commodity and energy price environment.

In other ratings news, S&P assigned its "BBB+" long-term issuer credit rating to China International Capital Corp Ltd ("CICC") and China International Capital Corp (Hong Kong) Ltd ("CICCHK"), reflecting CICC's "bbb-" stand-alone credit profile and the moderately high likelihood of extraordinary financial support from China's central government. Outlook is stable.

Credit Headlines:

Keppel REIT ("KREIT"): The issuer announced obtaining new term loan facilities, worth SGD100mn and AUD25mn. KREIT has just SGD25.5mn in debt maturities for 2016. It had also divested 77 King Street in January 2016 for AUD160mn. KREIT's cash balance of SGD144.6mn (as of end-2015) was sufficient to meet the ~SGD54mn in distributions declared for 4Q2015. As such, we will continue to monitor KREIT to observe the intended use of proceeds. (Company, OCBC)

China Financials: Bank of China Ltd ("BOC"), China Construction Bank Corp. ("CCB") and Industrial & Commercial Bank of China Ltd ("ICBC") reported their full year results with headline numbers consistent with overall industry trends as Chinese Banks look toward a 'new normal' operating environment of slower profit growth as expressed by Bank of China Ltd president Chen Siqing. Net interest margins declined consistently across all three banks by 6-7% while NPL ratios all weakened as expected. Interestingly, the two largest banks CCB and ICBC witnessed the largest deterioration in asset quality ratios from previously stronger levels compared to BOC and Bank of Communications Ltd such that their NPL ratios and loan loss coverage ratios are now more or less in line with peers. Despite the challenging operating environment, Tier 1 capital ratios improved. (Companies, OCBC).



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