

July 4, 2016

Market Commentary: The SGD swap curve traded downward significantly last Friday, with the swap rates traded 6-11bps lower across all tenors as the Singapore dollar strengthened for a fourth day as lower US yields continue to weigh on the US dollar. Flows in the SGD corporates were muted with only mixed interest seen in UCGIM 5.5%'23s. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 230bps while the yield on JACI HY corporates decreased by 5bps to 6.66%. 10y UST decreased by 3bps to 1.44%.

Rating Changes: S&P placed Weichai Power Co. Ltd. on CreditWatch with negative implications. This follows S&P's view that Weichai's financial strength could weaken on a consolidated level because of its consolidated subsidiary, KION's, proposal of a USD2.1bn acquisition of Dematic, a global supply chain solution provider. Fitch has downgraded PT Multipolar Tbk's (Multipolar) issuer default rating to "B" from "B+" with a stable outlook. The downgrade reflects Multipolar's weaker overall business profile, which stems from its 50.23% ownership in Matahari Putra Prima Tbk (MPPA). Sustained pressure on MPPA's credit profile will result in lower and less reliable dividends paid to Multipolar to cover its operational expenses and interest servicing. Fitch has revised Indonesia-based homebuilder PT Modernland Realty Tbk's (Modernland) outlook to negative from stable and affirmed its issuer default rating at "B". The revision reflects the risk that Modernland could breach a number of its local-currency debt covenants in 2017, as EBITDA may remain weak unless presales improve in the next 6-12 months. Fitch affirmed and subsequently withdrew Australia's Energex Ltd. issuer default rating of "AA" with a stable outlook. The rest of Energex's ratings were also withdrawn as the entity no longer holds long-term debt. Similarly, Fitch also affirmed and withdrew Ergon Energy Co. Ltd.'s issuer default rating of "AA" with stable outlook and withdrew the rest of its ratings, citing the same reason.

Table 1: Key Financial Indicators

	4-Jul	1W chg (bps)	1M chg (bps)		4-Jul	1W chg	1M chg
iTraxx Asiax IG	139	-13	1	Brent Crude Spot (\$/bbl)	50.51	7.10%	1.75%
iTraxx SovX APAC	53	-3	1	Gold Spot (\$/oz)	1,343.02	1.39%	7.84%
iTraxx Japan	66	-12	-1	CRB	194.26	2.95%	2.96%
iTraxx Australia	125	-18	-1	GSCI	376.44	1.95%	0.65%
CDX NA IG	77	-14	3	VIX	14.77	-42.66%	9.65%
CDX NA HY	103	2	0	CT10 (bp)	1.444%	0.64	-25.63
iTraxx Eur Main	79	-20	6	USD Swap Spread 10Y (bp)	-10	3	2
iTraxx Eur XO	347	-71	27	USD Swap Spread 30Y (bp)	-45	2	1
iTraxx Eur Snr Fin	104	-33	9	TED Spread (bp)	40	2	1
iTraxx Sovx WE	31	-6	5	US Libor-OIS Spread (bp)	27	1	0
iTraxx Sovx CEEMEA	126	-12	-6	Euro Libor-OIS Spread (bp)	7	-1	-1
					4-Jul	1W chg	1M chg
				AUD/USD	0.747	1.87%	1.37%
				USD/CHF	0.974	0.42%	-0.39%
				EUR/USD	1.113	0.98%	-1.96%
				USD/SGD	1.346	1.30%	0.75%
Korea 5Y CDS	55	-8	-6	DJIA	17,949	3.15%	0.80%
China 5Y CDS	121	-13	-1	SPX	2,103	3.22%	0.18%
Malaysia 5Y CDS	151	-18	-6	MSCI Asiax	506	4.34%	1.94%
Philippines 5Y CDS	111	-13	3	HSI	20,794	-0.35%	0.16%
Indonesia 5Y CDS	182	-18	-5	STI	2,846	4.06%	1.32%
Thailand 5Y CDS	110	-15	-10	KLCI	1,646	0.74%	0.60%
				JCI	4,972	2.83%	2.42%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
30-June-16	First REIT	NR/NR/NR	SGD60mn	Perp.	5.68%
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%

Source: OCBC, Bloomberg

Credit Headlines:

China Vanke Co. Ltd (“VANKE”): VANKE announced that it will not hold an Extraordinary General Meeting (“EGM”) on the proposal to remove the company’s directors en masse. This announcement comes on the back of media reports that China Resources (second largest shareholder) has rejected the proposal. As a next step, should it opt to do so, the largest shareholder has the right to escalate the issue to the Supervisory Committee (as part of Chinese Company Law, companies follow a two-tier board system). The company’s A-shares will resume trading in Shenzhen today after it was first suspended on 18 December 2015. Price of VANKE’s H-shares which continued to be traded in Hong Kong have declined ~34% since the suspension. (OCBC, Company)

Ezra Holdings Limited (“EZRA”): EZRA has announced that it has entered into an agreement to divest one of its two FPSOs, the Lewek EMAS. The purchaser is a fund jointly managed by First Reserve (a PE fund) and Petrofac (O&G service provider). Lewek EMAS is currently held by both EZRA (38.3% direct stake) and EMAS Offshore (75.5% owned by EZRA, holds 41.7% stake in Lewek EMAS). In aggregate, EZRA will be receiving USD68.9mn in cash (actual part of the consideration is USD46.3mn after adjusting for shareholder loans to the Lewek EMAS entity, as well as accrued preference dividends due to EZRA) as well as USD120mn in deferred consideration for a total consideration of USD166.3mn (includes EMAS Offshore’s share). Subject to closing conditions, the transaction is expected to close during 3Q2016. It should be noted that the deferred consideration is dependent on charter extensions on the Lewek EMAS beyond December 2020, and hence will not be realized for some time. Based on the total consideration of USD166.3mn, EZRA would recognize a disposal gain of USD2.8mn (based on last reported 2QFY2016 results). In aggregate, we believe that the FPSO disposal is a credit positive for the company, generating additional liquidity of USD68.9mn in cash. That said, we recognize that a significant part of the consideration is deferred. In addition, EZRA’s financial statements are currently in flux due to the Chiyoda / NYK joint venture. As such, we will retain our current Negative Issuer Profile till we have a chance to review EZRA’s post-Chiyoda investment balance sheet come 3QFY2016. We continue to Overweight the EZRASP’18s as we believe the risk-reward profile of the bond to be attractive. (OCBC, Company)

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