

May 06, 2016

Market Commentary: The SGD swap curve traded lower yesterday, with rates generally trading 1bp-2bps lower across the curve. Flows in the SGD corporates were moderate, where we saw better buyers in STANLN 4.4%'26s, mixed interests in FCLSP 4.25%'26s, GENSSP 5.125%'49s and ABNANV 4.7%'22s.. In the broader dollar space, the spread on the JACI IG corporates was level at 228bps, with the yield on the JACI HY corporates also level at 7.36%. 10y UST yield decreased by 3bps to 1.75% following the path set earlier in the week which saw renewed softness in oil prices and global risk aversion increasing somewhat from mixed market data.

New Issues: Frasers Hospitality Trust priced a SGD100mn perpNC5 at 4.45%, tightening from an initial guidance of 4.75%. The issue is expected to be rated "NR/Baa2/NR".

Rating Changes: Fitch lowered Brazil's issuer default ratings to "BB" from "BB+" to reflect the stronger economic contraction, weak outlook for public finances and sustained legislative gridlock and political uncertainty. Outlook is negative due to continued uncertainty on the government's ability to improve the outlook for growth, public finances and government debt. Moody's downgraded STATS ChipPAC Ltd's corporate family rating and senior secured bond ratings to "B2" from "B1". The downgrade reflects the company's continued weak operating performance and the expectation that the company's liquidity position will tighten considerably over the next 6 months. Outlook is negative. S&P revised its outlook on Manila Electric Co's "BB+" long-term corporate credit rating to positive from stable. This reflects a cautious approach to leverage given uncertainty on the timing and impact of the next regulatory reset. S&P revised the outlook on China Zhengtong Auto Services's "BB-" rating to negative from stable. The outlook revision reflects the potential weakening in credit metrics over the next 12 months based on weak cost control, aggressive debt-funded expansion appetite and declining new car sales.

Table 1: Key Financial Indicators

	6-May	1W chg (bps)	1M chg (bps)		6-May	1W chg	1M chg
iTraxx Asiax IG	145	1	-1	Brent Crude Spot (\$/bbl)	45.01	-6.50%	18.85%
iTraxx SovX APAC	55	0	-5	Gold Spot (\$/oz)	1,277.33	-1.25%	4.25%
iTraxx Japan	76	6	-11	CRB	178.93	-2.31%	6.81%
iTraxx Australia	135	3	-5	GSCI	347.81	-3.27%	9.52%
CDX NA IG	85	7	7	VIX	15.91	4.53%	12.92%
CDX NA HY	102	-1	-1	CT10 (bp)	1.752%	-8.10	-0.26
iTraxx Eur Main	79	6	2	USD Swap Spread 10Y (bp)	-14	-3	-2
iTraxx Eur XO	329	18	13	USD Swap Spread 30Y (bp)	-49	-2	-2
iTraxx Eur Snr Fin	98	8	0	TED Spread (bp)	44	2	3
iTraxx Sovx WE	26	1	0	US Libor-OIS Spread (bp)	25	0	-1
iTraxx Sovx CEEMEA	136	9	-16	Euro Libor-OIS Spread (bp)	9	0	-1
					6-May	1W chg	1M chg
				AUD/USD	0.748	-1.67%	-0.84%
				USD/CHF	0.968	-0.82%	-0.80%
				EUR/USD	1.141	-0.40%	0.49%
				USD/SGD	1.359	-1.09%	-0.20%
Korea 5Y CDS	65	0	-1	DJIA	17,661	-0.95%	-0.31%
China 5Y CDS	129	-1	5	SPX	2,051	-1.21%	-0.78%
Malaysia 5Y CDS	164	-2	10	MSCI Asiax	490	-2.48%	-1.01%
Philippines 5Y CDS	116	5	12	HSI	20,450	-4.27%	1.20%
Indonesia 5Y CDS	190	0	-12	STI	2,768	-3.72%	-1.55%
Thailand 5Y CDS	126	--	-3	KLCI	1,645	-2.79%	-4.19%
				JCI	4,823	-0.48%	-0.73%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
05-May-16	Frasers Hospitality Trust	NR/Baa2/NR	SGD100mn	perpNC5	4.45%
04-May-16	Tianjin Rail Transit Group Co Ltd	A/A3/NR	USD200mn	3-year	CT3+162.5bps
04-May-16	Tianjin Rail Transit Group Co Ltd	A/A3/NR	USD300mn	5-year	CT5+182.5bps
03-May-16	Ascendas Pte Ltd	NR/NR/NR	SGD130mn	5-year	2.68%
03-May-16	ICBC Singapore	NR/A1/NR	USD800mn	3-year	CT3+115bps
28-Apr-16	Cambridge Industrial Trust	NR/Baa3/NR	SGD50mn	7-year	3.95%
28-Apr-16	China Aircraft Leasing Group Holdings Ltd	NR/NR/NR	USD300mn	3-year	5.9%
28-Apr-16	Huawei Investment & Holding Co	NR/NR/NR	USD2bn	10-year	CT10+230bps

Source: OCBC, Bloomberg

Credit Headlines:

CWT Limited ("CWT"): CWT Limited released its 1Q2016 results. Headline revenue declined by 14% on the back of lower commodity trading volume in naptha and a general drop in commodity prices. Despite the decline in revenue, EBITDA (excluding other income and other operating expenses) only saw a decline of ~9% during 1Q2016 to SGD55.6mn (1Q2015: SGD60.8mn). This was driven by the growth in the higher-margin Financial Services and Logistics business, partially offsetting the decline in commodity marketing and engineering. Gross debt-to-equity was flat at 1.6x versus the preceding quarter. For the quarter, EBITDA/Gross Interest Expense was 4.2x, leading to a last 12 months EBITDA/Gross Interest Expense of 4.0x. There has been no new updates on the possible sale by major shareholders of the company. We retain CWT's issuer profile at Neutral for now. (Company, OCBC)

Ascendas REIT ("AREIT"): AREIT announced its full year results for the year ended March 2016 ("FY2016"). Gross revenue for the full year increased by 13% to SGD761mn (FY2015: SGD673mn) on the back of the contribution from its Australian logistics portfolio which was acquired during the year, contribution from four Singapore assets and rental reversions. Overall rental reversion increased by 7%, led by the science park portfolio and certain asset enhancements which allowed the REIT to obtain higher rents versus previously contracted rates. However, management has guided that this year rental reversions to be flattish, with moderate increases, at best.

AREIT's D/A was flat at 37% versus 31 December 2015 while EBITDA/Total Interest remained commendable at 5.0x, EBITDA/(Total Interest and Perpetual Distribution) was 4.65x. Portfolio weighted average lease expiry ("WALE") by gross revenue remained at 3.7 years, which provides some mitigation against the headwinds in the sector. Future acquisitions are likely to be focused on the Singapore and Australian markets where it has already established strong clusters. (Company, OCBC)

Singapore Post ("SPOST"): On the tail of the release of the special audit report earlier in the week, Mr Simon Israel, the current Chairman of Singtel (and largest SPOST shareholder at 23%), has agreed to simultaneously assume the role of Chairman of SPOST. Mr Israel was formerly an Executive Director and President of Temasek Holdings, before stepping down in 2011. His other current roles include being on the board of Capitaland. Mr Israel has indicated that his priorities include to "lead the Board through the completion of the Corporate Governance Review, review board composition and appoint a new Group CEO." SPOST has been seeking a new CEO since Mr Wolfgang Baier tendered his resignation in December 2015. Mr Baier had previously committed to supporting the handover till 30/06/16 or earlier. (Company)

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Nicholas Koh Jun Ming

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
NicholasKoh@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.