

June 7, 2016

**Market Commentary:** The SGD swap rates traded downwards significantly yesterday, trading 6-10bps lower across all tenors, following the release of weakened US labour market data last Friday which diminished the hopes of a rate hike in the near term. Flows in the SGD corporates were heavy with better buying in SOCGEN 4.3%'26s, GENSSP 5.13%'49s, EZISP 4.6%'18s and better selling in GEMAU 5.5%'19s. Meanwhile we also saw mixed interest in SCISP 4.75%'49s, MLTSP 4.18%'49s and ICOCLIN 4.1%'22s. In the broader dollar space, the spread on JACI IG corporates increased by 3bps to 224bps, while the yield on JACI HY corporates decreased by 4bps to 7.01%. 10y UST yield increased by 1bps to 1.71%.

**News Issues:** Chip Eng Seng priced a SGD500m 5-year bond at 4.75% tightening from its initial guidance of 5%. City Development Limited priced a SGD150m 10-year bond at 3.48% in line with its initial guidance that is equivalent to SOR10+106bps. CITIC Limited priced a 2-part deal yesterday, with the USD500m 5-year bond at CT5+155bps, tightening from its initial guidance of CT5+180bps and USD750m 10-year bond at CT10+100bps, tightening from its initial guidance of CT10+225bps. The expected ratings are "A-/NR/NR". A unit of Singapore state investment company Temasek Holdings is seeking to sell the first listed bonds in the country backed by its interests in private equity funds that co-invest with industry powerhouses such as Blackstone Group LP and KKR & Co. The offering advances Temasek's ambition of widening the appeal of so-called co-investment platforms it has touted over the past decade, and essentially allows Temasek to generate liquidity from an illiquid asset.

**Rating Changes:** Moody's downgraded the credit rating of Beijing Energy Holding Co. Ltd to "A3" from "A2", reflecting the continued weakness in Beijing Energy's business profile and financial metrics after its merger with Beijing Jingmei Group, in December 2014. The outlook is negative. Moody's assigned a first time credit rating of "Ba2" to Biostime International Holdings Limited, reflecting the company's leading position among domestic infant milk formula (IMF) providers, diversification into a leading position in Australia vitamin, herbal and mineral supplements (VHMS) market, the growing demand for IMF and VHMS, and also the company's strong profitability and steady cash flow generation. The outlook is stable. Moody's affirmed its credit rating on WSO Finance Property Limited of "A3" with no further information furnished on Bloomberg. The outlook is stable.

Table 1: Key Financial Indicators

	7-Jun	1W chg (bps)	1M chg (bps)		7-Jun	1W chg	1M chg
iTraxx Asiax IG	138	-4	-8	Brent Crude Spot (\$/bbl)	50.55	1.59%	11.42%
iTraxx SovX APAC	52	-1	-3	Gold Spot (\$/oz)	1,245.21	2.46%	-1.48%
iTraxx Japan	66	2	-11	CRB	191.27	2.76%	6.31%
iTraxx Australia	126	0	-10	GSCI	378.77	1.85%	8.03%
CDX NA IG	74	-2	-10	VIX	13.65	4.04%	-7.27%
CDX NA HY	103	1	1	CT10 (bp)	1.737%	-11.43	-4.22
iTraxx Eur Main	73	0	-6	USD Swap Spread 10Y (bp)	-12	2	4
iTraxx Eur XO	320	8	-10	USD Swap Spread 30Y (bp)	-47	2	3
iTraxx Eur Snr Fin	95	6	-3	TED Spread (bp)	40	4	-3
iTraxx Sovx WE	26	1	0	US Libor-OIS Spread (bp)	28	5	4
iTraxx Sovx CEEMEA	131	-9	-6	Euro Libor-OIS Spread (bp)	9	0	-1
					7-Jun	1W chg	1M chg
				AUD/USD	0.737	1.87%	0.72%
				USD/CHF	0.970	2.42%	0.08%
				EUR/USD	1.136	2.03%	-0.22%
				USD/SGD	1.356	1.61%	1.17%
Korea 5Y CDS	60	1	-4	DJIA	17,920	0.26%	1.01%
China 5Y CDS	122	-4	-7	SPX	2,109	0.49%	2.54%
Malaysia 5Y CDS	157	-6	-5	MSCI Asiax	500	1.22%	2.91%
Philippines 5Y CDS	108	-5	-10	HSI	21,030	1.94%	4.58%
Indonesia 5Y CDS	187	-6	-4	STI	2,831	1.23%	3.68%
Thailand 5Y CDS	120	-2	-6	KLCI	1,649	1.17%	-0.02%
				JCI	4,896	1.24%	1.52%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
6-June-16	Chip Eng Seng	NR/NR/NR	SGD500mn	5-year	4.75%
6-June-16	City Development Limited	NR/NR/NR	SGD150mn	10-year	SOR10+106bps
6-June-16	CITIC Limited	A-/NR/NR	USD500mn	5-year	CT5+155bps
6-June-16	CITIC Limited	A-/NR/NR	USD750mn	10-year	CT10+100bps
31-May-16	GSH Corp Ltd	NR/NR/NR	SGD60mn	3-year	5.15%
31-May-16	Starhub Ltd	NR/NR/NR	SGD300mn	10-year	3.55%
31-May-16	Prudential PLC	A+/A2/A+	USD1bn	Perp-nc5	5.25%
26-May-16	China Huarong Asset Management	A-/A3/A	USD700mn	3-year	CT3+177.5bps

Source: OCBC, Bloomberg

**Rating Changes (cont'd):** Fitch assigned a credit rating of “A-“ to Bright Food Singapore Holdings Pte. Ltd.’s proposed EUR400m 1.625% notes. The rating is driven by the company’s linkage with Shanghai State-owned Asset Supervision and Administration Commission (SASAC) that has strengthened significantly following the state’s zero-cost injection of Shanghai Liang You Group into BFG in May 2015. The asset injection, reflects Shanghai SASAC’s intention to consolidate state-owned food and agricultural resources under its remit, and strong evidence of government support that results in enhancement of BFG’s strategic position in food production, supply and distribution, and quality control. S&P Upgraded its credit rating on UBS AG to “A-“ from “BBB+”, citing the Swiss bank’s effort to shrink its balance sheet and switching its emphasis to wealth management from investment banking as the main reasons. The outlook is stable.

## **Credit Headlines:**

Otto Marine Limited (“OTML”): As a follow-up to the potential takeover announcement made on 02/06/16, and the resultant trading halt, OTML has provided further updates regarding the potential offer. The financial advisor representing the potential offeror, RHB Securities Singapore Pte Ltd (“RHB”), has provided a proposal in relation to the delisting of OTML, on the evening of 06/06/16. To review and consider the proposal, OTML has requested and obtained approval from the stock exchange for an extension of its trading halt by 2 market days. It should be noted that OTML’s bonds (which are maturing soon on 01/08/16) have change-of-control provisions, in which the majority shareholder, Mr Yaw Chee Siew, has to maintain a direct or indirect shareholding in OTML of at least 30% (he currently holds about 61%). The bonds also have a provision regarding the cessation or suspension of trading of OTML’s shares. Subjected to certain conditions, in the event of either of the mentioned provisions, bondholders have the option to initiate the early redemption of the bond. (Company, OCBC)

**Andrew Wong**

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

**Nick Wong Liang Mian, CFA**

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

**Nicholas Koh Jun Ming**

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

**Ezien Hoo**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@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.