

Mar 07, 2016

Market Commentary: The SGD swap curve shifted ~6bps lower last Friday. Flows in the SGD corporate space picked up, we saw better buyers in ANVAU 5.5%'perp-c21, STANLN 4.4%'26s and mixed interest in the new F 3.7%'19s. In the broader dollar space, JACI IG corporates spread was level at 243bps, while the yield on the JACI IG corporates was also level at 7.99%. 10y UST yield widened 4bps to 1.87% level, reacting to mixed NFP numbers.

Rating Changes: Moody's has affirmed Thai Beverage Public Company Limited's senior unsecured issuer rating at Baa3, and changed its outlook to positive from stable. This was driven by management's prudent deleveraging post the issuer's debt-funded acquisition of a minority stake in F&N. Moody's expects the deleveraging to be sustained over the next 12 – 15 months.

Credit Headlines:

Hong Kong home sales: Homes sales in February were down 70% y/y to 1,807 units (HKD11.8bn). This follows weak January sales data when sales were down 68% y/y to 2,045units (HKD15.8bn). The weak sentiment among home buyers was also reflected by developers in the latest land tenders with 2 out of the last 4 tenders failing due to low bids below the reservation price. Home prices in Hong Kong peaked in September 2015 and are now down ~9% in 4 months since the peak. While data out of the Hong Kong residential market is deteriorating, the developers under our coverage are not pure play residential developers and have diversified operations as well recurring cash flows from investment properties and should be able to withstand a slowdown in the residential market in 2016. Source: (Rating and Valuation Department Hong Kong, Business Times)

Table 1: Key Financial Indicators

	7-Mar	1W chg (bps)	1M chg (bps)		7-Mar	1W chg	1M chg
iTraxx Asiax IG	147	-10	-20	Brent Crude Spot (\$/bbl)	39.03	8.51%	14.59%
iTraxx SovX APAC	68	-6	-16	Gold Spot (\$/oz)	1,263.84	2.40%	7.46%
iTraxx Japan	87	-11	-8	CRB	168.55	4.25%	4.09%
iTraxx Australia	142	-14	-22	GSCI	314.68	4.89%	7.90%
CDX NA IG	95	-13	-26	VIX	16.86	-14.89%	-27.89%
CDX NA HY	101	2	4	CT10 (bp)	1.874%	11.18	3.46
iTraxx Eur Main	93	-6	-29	USD Swap Spread 10Y (bp)	-14	2	-7
iTraxx Eur XO	374	-34	-86	USD Swap Spread 30Y (bp)	-53	0	-11
iTraxx Eur Snr Fin	99	-9	-38	TED Spread (bp)	37	4	4
iTraxx Sovx WE	32	-2	3	US Libor-OIS Spread (bp)	22	-2	-1
iTraxx Sovx CEEMEA	179	-9	-23	Euro Libor-OIS Spread (bp)	14	-1	0
					7-Mar	1W chg	1M chg
				AUD/USD	0.741	3.72%	4.56%
				USD/CHF	0.994	0.60%	-0.23%
				EUR/USD	1.099	0.82%	-1.51%
				USD/SGD	1.377	2.11%	2.17%
Korea 5Y CDS	60	-7	-13	DJIA	17,007	2.20%	4.95%
China 5Y CDS	128	-5	-17	SPX	2,000	2.67%	6.38%
Malaysia 5Y CDS	164	-11	-33	MSCI Asiax	484	5.87%	5.56%
Philippines 5Y CDS	110	-9	-26	HSI	20,177	4.20%	4.61%
Indonesia 5Y CDS	211	-19	-43	STI	2,837	7.08%	8.15%
Thailand 5Y CDS	135	-16	-35	KLCI	1,692	1.75%	1.81%
				JCI	4,851	2.49%	1.08%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
03-Mar-16	Ford Motor Credit	BBB-/Baa2/BBB-	SGD350mn	3-year	3.70%
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD1.75bn	5-year	CT5+160bps
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD750mn	5-year	3mL+168bps
02-Mar-16	Sumitomo Mitsui FG	A-/A1/A	USD1.5bn	10-year	CT10+195bps
02-Mar-16	UOB Ltd	AAA/Aaa/NR	EUR500mn	5-year	0.25%
01-Mar-16	Ausnet Services	NR/Baa2/NR	SGD200mn	60.5NC5.5	5.50%
29-Feb-16	Singapore Telecommunications Limited	A+/Aa3/A+	SGD250mn	7-year	2.895%
25-Feb-16	CapitalLand Mall Trust	NR/A2/NR	SGD100mn	10-year	3.50%

Source: OCBC, Bloomberg

Financial Institutions: The Australian Securities and Investment Commission ('ASIC') has commenced legal proceedings against Australia and New Zealand Banking Group Ltd ('ANZ') for alleged manipulation of the bank-bill swap rate, Australia's equivalent of LIBOR. ASIC's allegation is that ANZ intended to create an artificial price for bank bills in order to maximize profit to the detriment of those with opposing positions. The proceedings come after a more than three year investigation by ASIC with Australia's other major banks (National Australia Bank, Commonwealth Bank of Australia and Westpac Banking Corp) also under investigation. Initial views from legal experts predict a potentially long and difficult process for ASIC's claims to succeed. Nevertheless, this news could remain an overhang for Australian bank bonds given the precedent set in Europe in several rate-rigging cases with European banks paying sizeable fines and impacting their profitability at a time of weak growth. (Bloomberg, ASIC, OCBC).

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