

July 8, 2016

**Market Commentary:** The SGD swap curve was range-bounded yesterday, with the short-end rates traded 1-2bps higher while the belly-to-long-end- rates traded 1-3bps lower. Flows in the SGD corporates were heavy with better selling seen in IOCLIN 4.1%'22s and UCGIM 5.5%'23s while mixed interests were seen in MLTSP 4.18%'49s, GEMAU 5.5%'19s and ABNANV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates decreased by 3bps to 226bps while the yield on JACI HY corporates decreased by 3bps to 6.53%. 10y UST yield increased by 2bps to 1.39%.

**New Issues:** Huai's An Development Co. Ltd. has priced a USD300mn 3-year bond at 5.1%, tightening from its initial guidance of 5.3% with expected ratings of "NR/NR/BB+". HT Global IT Solutions Holdings Ltd. has priced a USD300mn 5NC2 bond at 7.13%, tightening from its initial guidance of 7.63% with expected ratings of "BB-/Ba3/BB-". Sumitomo Mitsui Financial Group, Inc. has priced a three-tranche deal yesterday, with the USD1.75bn 5-year bond priced at CT5+110bps, tightening from its initial guidance of CT5+130bps, the USD500mn 5-year bond at 3mL+111bps, the USD2.25bn 10-year bond at CT10+125bps, tightening from its initial guidance of CT10+150bps. The expected ratings for the issue are "A-/A1/NR". ICBC Ltd. (Luxembourg) has priced a USD800mn 3-year bond at CT3+130bps, tightening from its initial guidance of CT10+150bps. The expected ratings for the issue are "A/A1/A". HKT Capital No. 4 Ltd. has set its final price guidance on a USD 10-year bond at CT10+170bps, tightening from its initial guidance of CT10+185bps. The expected ratings for the issue are "BBB/Baa2/NR". Busan Bank has scheduled investor meetings from 11 July, 2016 onwards for USD Tier 2 bond issuance with expected ratings of "NR/Baa2/NR".

**Rating Changes:** S&P revised its outlook on Australia's "AAA" credit rating to negative from stable after the outcome of Saturday's federal election potentially dented the government's prospects for reining in a budget deficit. The revision reflects S&P's view that without the implementation of more forceful fiscal policy decisions, material government budget deficits may persist for several years with little improvement. Following the revision, S&P likewise revised its outlook for the nation's largest lenders that include ANZ, Commonwealth Bank of Australia, National Australia Bank and Westpac corporation. Ratings on all four major banks were affirmed at "AA-", with its outlook revised to negative from stable. The negative outlooks reflect S&P's view that the banks' ratings benefit from government support and that S&P expect to downgrade these entities if they lower the long-term local currency sovereign credit rating on Australia.

Table 1: Key Financial Indicators

	8-Jul	1W chg (bps)	1M chg (bps)		8-Jul	1W chg	1M chg
iTraxx Asiax IG	140	1	1	Brent Crude Spot (\$/bbl)	46.40	-6.60%	-9.80%
iTraxx SovX APAC	54	1	3	Gold Spot (\$/oz)	1,360.46	1.42%	7.73%
iTraxx Japan	67	2	1	CRB	185.70	-4.59%	-5.17%
iTraxx Australia	125	0	1	GSCI	355.27	-6.59%	-8.86%
CDX NA IG	77	-1	3	VIX	14.76	-11.30%	4.83%
CDX NA HY	103	0	0	CT10 (bp)	1.385%	-8.47	-33.27
iTraxx Eur Main	82	3	9	USD Swap Spread 10Y (bp)	-10	0	3
iTraxx Eur XO	366	19	48	USD Swap Spread 30Y (bp)	-41	2	7
iTraxx Eur Snr Fin	118	13	22	TED Spread (bp)	38	-1	-1
iTraxx Sovx WE	32	2	7	US Libor-OIS Spread (bp)	28	1	2
iTraxx Sovx CEEMEA	127	1	5	Euro Libor-OIS Spread (bp)	7	0	-1
					8-Jul	1W chg	1M chg
				AUD/USD	0.749	-0.08%	0.28%
				USD/CHF	0.979	-0.55%	-1.98%
				EUR/USD	1.107	-0.63%	-2.89%
				USD/SGD	1.350	-0.30%	-0.19%
Korea 5Y CDS	55	--	-3	DJIA	17,896	1.14%	-0.61%
China 5Y CDS	123	2	2	SPX	2,098	1.31%	-1.00%
Malaysia 5Y CDS	156	5	1	MSCI Asiax	503	-0.72%	-1.29%
Philippines 5Y CDS	110	-1	3	HSI	20,707	1.33%	-2.77%
Indonesia 5Y CDS	187	5	0	STI	2,862	2.49%	-0.01%
Thailand 5Y CDS	114	4	-4	KLCI	1,651	1.02%	0.10%
				JCI	4,972	2.83%	2.42%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
7-June-16	Huai's An Development Co. Ltd.	NR/NR/BB+	USD300mn	3-year	5.1%
7-June-16	HT Global IT Solutions Holdings Ltd.	BB-/Ba3/BB-	USD300mn	5NC2	7.13%
7-June-16	Sumitomo Mitsui Financial Group, Inc.	A-/A1/NR	USD1.75bn	5-year	CT5+110bps
7-June-16	Sumitomo Mitsui Financial Group, Inc.	A-/A1/NR	USD500mn	5-year	3mL+111bps
7-June-16	Sumitomo Mitsui Financial Group, Inc.	A-/A1/NR	USD2.25bn	10-year	CT10+125bps
7-June-16	ICBC Ltd. (Luxembourg)	A/A1/A	USD800mn	3-year	CT3+130bps
6-June-16	National Bank of Australia	AA-/Aa2/NR	USD1bn	3-year	1.38%
6-June-16	National Bank of Australia.	AA-/Aa2/NR	USD1.25bn	5-year	1.88%

Source: OCBC, Bloomberg

## Rating Changes (Cont'd):

Additionally, S&P also revised its outlook on various UK banks that include Barclays PLC, HSBC Holdings PLC and Lloyds Banking Group PLC to negative from stable. The revisions reflect S&P's view that they could lower the ratings on these institutions as a result of growing risk of adverse economic developments and economic uncertainty arising from the recent Brexit vote. Royal Bank of Scotland Group PLC's outlook was also revised to stable from positive, citing the same reason.

## Credit Headlines:

Triyards Holdings ("ETL"): ETL (Ezra Holding's listed shipyard subsidiary) reported 3QFY2016 results. Revenue was up 28.4% y/y to USD82.1mn, due to work-in-progress on its order book (liftboats and tugs). Gross margins have compressed though, from 22.0% (3QFY2015) to 16.9% (3QFY2016). This drove net income lower by 24.0% y/y to USD4.1mn. Operating cash flow was negative USD26.7mn, due to working capital needs for down payments to suppliers. After factoring capex, FCF was negative USD32.1mn for the quarter, funded mainly by ETL's cash balance and ~USD10mn increase in borrowings. Net gearing remains healthy at 55%, though there is about USD153mn in ST debt due compared to USD46.5mn in cash. In aggregate, the relatively strong performance of ETL would be supportive of Ezra's overall performance (quarterly results expected soon). (Company, OCBC)

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