

June 9, 2016

**Market Commentary:** The SGD swap curve traded downwards yesterday as the dollar fell for the fourth straight day on waning expectations of a near-term interest rate hike in June/July. The swap rates traded 2-5bps lower across all tenors. Flows in the SGD corporates were heavy with better buying in TRAFIG 7.5%'49s and better selling in BPCEGP 4.5%'26s and OCBCSP 3.8%'49s. Meanwhile we also saw mixed interest in GENSP 5.13%'49s, HYFSP 5.75%'49s, SOCGEN 4.3%'26s and STANLN 4.4%'26s. The Itraxx Asia ex-Japan IG index opened at 139bps this morning, little changed from yesterday's close. 10y UST decreased by 2bps to 1.70%.

**News Issues:** Samvardhana Motherson Automotive Systems Group B.V. (SMAS) priced a USD300m 5NC3 bond at 4.88%, tightening from its initial guidance of 5.25%. The expected ratings are "BB+/NR/NR". Sultanate of Oman priced a two-tranche deal with the USD1bn 5-year bond priced at MS+245bps and the other tranche of USD1.5bn priced at MS+320bps. The expected ratings are "BBB-/Baa1/NR".

**Rating Changes:** Fitch withdrew Hilong Holdings Limited's long-term issuer default credit rating of "BB-" and senior unsecured rating of "BB-" for commercial reasons. Moody's assigned a first time credit rating of "Baa2" with a stable outlook on Taishan Property & Casualty Insurance Co. Ltd with no further information furnished. S&P upgraded its credit ratings on Texhong Textile Group Ltd to "BB" from BB-, reflecting their expectation that Texhong's stronger growth prospects over the next 1-2 years and improved profit margin should more than offset the effect of consolidation of its Xinjiang start up yarn production entity.

Table 1: Key Financial Indicators

	9-Jun	1W chg (bps)	1M chg (bps)		9-Jun	1W chg	1M chg
iTraxx Asiax IG	140	-3	-7	Brent Crude Spot (\$/bbl)	52.51	5.61%	15.74%
iTraxx SovX APAC	51	-1	-3	Gold Spot (\$/oz)	1,264.60	4.43%	0.06%
iTraxx Japan	67	-2	-11	CRB	195.82	4.82%	10.61%
iTraxx Australia	124	-7	-11	GSCI	389.83	4.89%	11.18%
CDX NA IG	74	-4	-10	VIX	14.08	-0.85%	-3.36%
CDX NA HY	104	1	2	CT10 (bp)	1.702%	-13.32	-7.67
iTraxx Eur Main	73	-1	-5	USD Swap Spread 10Y (bp)	-13	1	3
iTraxx Eur XO	318	-3	-12	USD Swap Spread 30Y (bp)	-48	-1	2
iTraxx Eur Snr Fin	95	1	-3	TED Spread (bp)	42	3	-1
iTraxx Sovx WE	26	0	0	US Libor-OIS Spread (bp)	26	4	1
iTraxx Sovx CEEMEA	121	-16	-16	Euro Libor-OIS Spread (bp)	9	1	0
					9-Jun	1W chg	1M chg
				AUD/USD	0.750	3.80%	2.57%
				USD/CHF	0.958	3.34%	1.34%
				EUR/USD	1.140	2.25%	0.17%
				USD/SGD	1.345	2.29%	1.99%
Korea 5Y CDS	58	-1	-7	DJIA	18,005	1.21%	1.69%
China 5Y CDS	121	-3	-8	SPX	2,119	0.94%	2.94%
Malaysia 5Y CDS	156	-7	-6	MSCI Asiax	509	2.88%	4.95%
Philippines 5Y CDS	108	-5	-10	HSI	21,298	2.59%	5.66%
Indonesia 5Y CDS	187	-7	-5	STI	2,862	2.57%	3.48%
Thailand 5Y CDS	118	-3	-7	KLCI	1,658	1.93%	1.57%
				JCI	4,916	1.58%	3.51%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
8-June-16	Samvardhana Motherson Automotive	BB+/NR/NR	USD300mn	5NC3	4.875%
8-June-16	Sultanate of Oman	BBB-/Baa1/NR	USD1bn	7-year	MS+245bps
8-June-16	Sultanate of Oman	BBB-/Baa1/NR	USD1.5bn	12-year	MS+320bps
7-June-16	ICBC Dubai	A/A1/NR	USD400mn	5-year	CT5+140bps
7-June-16	Republic of Indonesia	BB+/Baa3/BBB-	EUR1.5bn	7-year	MS+260bps
7-June-16	Republic of Indonesia	BB+/Baa3/BBB-	EUR1.5bn	12-year	MS+325bps
7-June-16	China State Construction Engineering	A/A2/A	USD500mn	3-year	CT3+142.5bps
7-June-16	China State Construction Engineering	A/A2/A	USD500mn	5-year	CT5+152.5bps

Source: OCBC, Bloomberg

**Credit Headlines:**

Ascendas REIT ("AREIT"): AREIT announced that they have entered into a SPA to divest Jiashan Logistics Centre to Goodman Developments Asia and GCLP Developments No. 3 (BVI) Limited ("Goodman") for SGD26m. Jiashan Logistics Centre was an in-house developed property completed in March 2016 located near Shanghai in Zhejiang Province. The property value of SGD26m is ~SGD5m higher than the total development cost of ~SGD21m. We view the transaction as credit neutral. (Company, OCBC)

Olam International Ltd ("Olam"): Olam announced that it has acquired a 100% interest in Brooks Peanut Company, the sixth largest peanut sheller in the US. With Olam being the third largest peanut sheller in the US, this transaction further consolidates the company's presence in US nuts. The transaction is expected to be funded by internal funding and existing debt facilities. We expect the company to continue being acquisitive and view this transaction in itself to be credit neutral. (Company, OCBC)

Ezra Holdings Limited ("EZRA"): EZRA has requested for a trading halt pending release of announcements. (SGX)

Starhill Global REIT ("SGREIT"): SGREIT was able to successfully negotiate a new base rent for the Ngee Ann City Toshin Master Lease (contributes ~20% of SGREIT's portfolio gross rent). The new base rent is 5.5% higher compared to the previous base rent, and will be applicable for three years. The last time the Toshin Master Lease was reviewed in 2013, the increase in base rent was 6.7%. Though the new rent reversion was lower, we believe it to be commendable given the weakness seen in the Singapore retail industry. We believe that Ngee Ann City's exceptional location in the Orchard Road shopping belt also supported the rent increase. We will retain our Neutral Issuer Profile on SGREIT. (Company, OCBC)

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