

Mar 09, 2016

Market Commentary: The SGD swap curve bull-flattened yesterday, with the short-end rates registering a 2bps gain while the long-end rates traded 4bps-5bps lower. In the broader dollar space, JACI IG corporates spread tightened by 2bps to 241bps, while the yield on the JACI HY corporates increased by 2bps to 7.98%. 10y UST yield fell by 8bps to 1.83%.

New Issues: CBA came to the market with a three-tranche deal pricing a USD750mn 3-year fixed-rate bond at CT3+108bps, a USD750mn floating rate bond at 3mL+106bps and a USD1bn fixed-rate note at CT5+125bps. The tranches had an initial guidance of CT3+120bps, 3mL+108bps and CT5+140bps respectively and are expected to be rated “AA-/Aa2/AA-“. Korea Export Import bank priced a EUR750mn 3-year bond at MS+58bps, tightening from an initial guidance of 65bps. The issue is expected to be rated “AA-/Aa2/AA-“.

Credit Headlines:

Keppel Corp ("KEP"): KEP and Transocean have mutually agreed to defer delivery of five jack-up rigs till 2020. These rigs were ordered in November 2013, and had a total contract value of USD1.1bn. The rigs were originally scheduled for delivery in 1Q2016 till 3Q2017, but have already been deferred once in 1Q2015 for six months. As the orders were deferred and not cancelled, there is no impact on KEP's order book (reported to be SGD9.0bn as of end-2015). The deferment though means that it would be more challenging for KEP to sustain 2016 and 2017 O&M segment revenue relative to previous periods, particularly given the challenging environment. In aggregate, we will maintain our Neutral Issuer Profile on KEP. (Company, OCBC)

Table 1: Key Financial Indicators

	<u>9-Mar</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>		<u>9-Mar</u>	<u>1W chg</u>	<u>1M chg</u>
iTraxx Asiax IG	151	0	-21	Brent Crude Spot (\$/bbl)	39.65	7.72%	20.59%
iTraxx SovX APAC	72	-1	-14	Gold Spot (\$/oz)	1,263.61	2.68%	6.27%
iTraxx Japan	86	-1	-16	CRB	169.47	3.42%	5.54%
iTraxx Australia	147	1	-20	GSCI	320.58	5.20%	10.97%
CDX NA IG	98	-2	-22	VIX	18.67	5.48%	-28.19%
CDX NA HY	101	0	3	CT10 (bp)	1.829%	0.38	8.04
iTraxx Eur Main	92	-4	-28	USD Swap Spread 10Y (bp)	-15	1	-5
iTraxx Eur XO	379	-12	-82	USD Swap Spread 30Y (bp)	-51	3	-6
iTraxx Eur Snr Fin	102	0	-32	TED Spread (bp)	34	3	-2
iTraxx Sovx WE	31	-1	0	US Libor-OIS Spread (bp)	23	1	-2
iTraxx Sovx CEEMEA	179	-4	-21	Euro Libor-OIS Spread (bp)	14	0	-1
					<u>9-Mar</u>	<u>1W chg</u>	<u>1M chg</u>
				AUD/USD	0.743	3.15%	5.49%
				USD/CHF	0.997	0.18%	-1.66%
				EUR/USD	1.100	1.33%	-1.89%
				USD/SGD	1.386	1.30%	1.18%
Korea 5Y CDS	65	0	-11	DJIA	16,964	0.59%	5.85%
China 5Y CDS	132	-1	-15	SPX	1,979	0.05%	6.79%
Malaysia 5Y CDS	173	4	-28	MSCI Asiax	481	1.32%	5.07%
Philippines 5Y CDS	115	1	-23	HSI	20,012	3.11%	3.75%
Indonesia 5Y CDS	218	1	-40	STI	2,779	3.59%	5.93%
Thailand 5Y CDS	147	-1	-26	KLCI	1,688	1.02%	1.53%
				JCI	4,811	0.65%	0.89%

Source: OCBC, Bloomberg.

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Ratings</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD750mn	3-year	Ct3+108bps
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD750mn	3-year	3mL+106bps
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD1bn	5-year	CT5+125bps
08-Mar-16	Korea Export Import Bank (KEXIM)	AA-/Aa2/AA-	EUR750mn	3-year	MS+58bps
07-Mar-16	TD Bank	Nr/Aaa?NR	USd1.75bn	5-year	MS+90
07-Mar-16	Hyundai Capital Services Inc	A-/Baa1/NR	USD500mn	5-year	CT5+150bps
07-Mar-16	Courts Asia Ltd	NR/NR/NR	SGD75mn	3-year	5.75%
07-Mar-16	Ascendas Pte Ltd	NR/NR/NR	SGD100mn	5-year	2.95%

Source: OCBC, Bloomberg.

Neptune Orient Lines ("NOL"): The European Commission will rule on the CMA CGM – NOL merger by 15th April 2016. CMA CGM's intent is to resolve all antitrust approvals needed by the middle of this year, before completing the merger. In addition, CMA CGM reported full-year results. Net income was sustained at USD567mn (2014: USD584mn). However, concerns over weak EBITDA generation in 4Q2015 have weighed on CMA CGM's EUR bonds. (Company)

Central China Real Estate Ltd ("CENCHI"): CENCHI reported contracted sales for February 2016 up 70.5% y/y to RMB415mn. 2M2016 contracted sales were up 66.8% y/y to RMB779mn, mainly due to a 48.9% y/y increase in GFA sold to 132,319 sqm. Average selling prices for 2M2016 were up 12% y/y to RMB5,888 per sqm. The company has made a positive start to the year for contracted sales after missing their 2015 sales target (RMB15.7bn vs target of RMB17.5bn). Other positive developments include a report from Bloomberg that CENCHI will issue RMB3bn onshore bonds although the company has not issued an official statement on this. We believe the proceeds will be mainly used to take out the SGD175mn of SGD bonds maturing on 18 April 2016. The SGD CENCHI 6.50%'17s (spreads widened 200bps) have underperformed SGD peer YLLGSP 6.2% '17 (tightened 64bps) and its own USD curve (CENCHI 6.5%'18 widened 42bps) in 2016. Selloff appears overdone and current valuations have more than priced in a potential downgrade and weakening of credit metrics with the CENCHI USD curve wider than single B names, representing an attractive entry point. (Company, OCBC)

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