

December 12, 2016

Credit Headlines (Page 2 onwards): Rickmers Maritime, GuocoLand Ltd.

Market Commentary: The SGD swap curve bear-steepened last Friday as swap rates traded mostly 1-9bps higher across tenors. Flows in the SGD corporates were light with two-way flows seen in FCLSP 5%'49s and STANLN 4.4%'26s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 200bps while the yield on JACI HY corporates increased 3bps to 6.91%. 10y UST yield increased 6bps to 2.47% as the market continues to re-price the European Central Bank's decision to extend its easing program.

New Issues: Danyang Investment has priced a USD220mn 3-year bond at 5.85%, tightening from its initial guidance at 6%. Shangxi Road & Bridge Construction Group Co. Ltd. has launched a re-tap of its existing USD250mn 4.85%'19s bond with initial guidance at 5.9%. The expected issue ratings for the bond are "BB/NR/NR" and is expected to be priced later today. Fujian Zhanglong Group Co. Ltd. priced a USD150mn 3-year bond at 4.8%, tightening from its initial guidance at 5%. The expected issue ratings are "NR/NR/BB+". Xiangxing Overseas Investment Co. Ltd. has launched a USD 3-year bond with initial price guidance at 6.5%. The bond is expected to be price later today.

Rating Changes: S&P assigned "AA-" foreign and local currency ratings to Brisbane Housing Co. Ltd. (BHC) with a stable outlook. The rating assignment reflects the company's stand-alone credit profile of "a+" and S&P's view that there is a moderately high likelihood that the state of Queensland would provide timely and sufficient extraordinary support to BHC in the event of financial distress. Moody's downgraded Yingde Gases Group Co. Ltd.'s corporate family rating to "B2" from "B1" and placed its rating on review for further downgrade. The downgrade and review reflect Moody's concerns over Yingde Gases' heightened level of liquidity risk, as caused by the delay in its new share issuance, which is designed to address the company's offshore funding needs.

Table 1: Key Financial Indicators

	12-Dec	1W chg (bps)	1M chg (bps)		12-Dec	1W chg	1M chg
iTraxx Asiax IG	119	-5	-16	Brent Crude Spot (\$/bbl)	56.50	2.84%	26.26%
iTraxx SovX APAC	36	-5	-10	Gold Spot (\$/oz)	1,156.23	-1.21%	-5.33%
iTraxx Japan	52	-4	-6	CRB	191.98	0.15%	4.72%
iTraxx Australia	103	-5	-12	GSCI	390.84	1.15%	11.29%
CDX NA IG	67	-5	-11	VIX	11.75	-16.78%	-20.28%
CDX NA HY	106	1	3	CT10 (bp)	2.488%	9.35	33.75
iTraxx Eur Main	73	-5	-6	USD Swap Spread 10Y (bp)	-13	2	-1
iTraxx Eur XO	309	-17	-41	USD Swap Spread 30Y (bp)	-51	3	4
iTraxx Eur Snr Fin	98	-9	-5	TED Spread (bp)	42	-6	-3
iTraxx Sovx WE	24	0	2	US Libor-OIS Spread (bp)	31	-2	-7
iTraxx Sovx CEEMEA	91	-7	-16	Euro Libor-OIS Spread (bp)	3	-1	0
					12-Dec	1W chg	1M chg
				AUD/USD	0.744	-0.44%	-1.52%
				USD/CHF	1.020	-1.30%	-2.12%
				EUR/USD	1.053	-2.16%	-1.91%
				USD/SGD	1.433	-0.99%	-1.28%
Korea 5Y CDS	43	-4	-12	DJIA	19,757	3.06%	4.82%
China 5Y CDS	112	-3	-13	SPX	2,260	3.08%	4.39%
Malaysia 5Y CDS	139	-14	-29	MSCI Asiax	531	1.97%	1.76%
Philippines 5Y CDS	112	-4	-23	HSI	22,761	0.87%	1.02%
Indonesia 5Y CDS	156	-15	-41	STI	2,956	1.26%	5.03%
Thailand 5Y CDS	81	-8	-17	KLCI	1,641	0.76%	0.44%
				JCI	5,308	1.19%	1.46%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
9-Dec-16	Danyang Investment	"NR/NR/NR"	USD220mn	3-year	5.85%
9-Dec-16	Fujian Zhanglong Group Co. Ltd.	"NR/NR/BB+"	USD150mn	3-year	4.8%
8-Dec-16	Changde Urban Construction & Inv.	"NR/NR/BBB"	USD250mn	3-year	CT3+280bps
8-Dec-16	China Grand Automotive Services	"NR/NR/B+"	USD300mn	Perp-NC3	9%
8-Dec-16	Tewoo Group Finance No. 2 Ltd.	"NR/NR/BBB"	USD300mn	3-year	CT3+360bps
7-Dec-16	China Minsheng Banking Corp.	"NR/NR/NR"	USD1.439bn	Perp-NC5	4.95%
7-Dec-16	Country Garden	"NR/Ba1/BB+"	USD350mn	10Put5	5.625%
6-Dec-16	Yunnan Energy Investment (HK) Co	"NR/NR/BBB"	USD310mn	3-year	CT3+245bps
6-Dec-16	Yunnan Energy Investment (HK) Co	"NR/NR/BBB"	USD130mn	5-year	CT5+265bps

Source: OCBC, Bloomberg

Credit Headlines:

Rickmers Maritime (“RMT”): RMT will be selling a vessel, with the proceeds used to partially repay its secured loan with Commerzbank. In return, Commerzbank will waive the repayment of the remaining debt owed to it, subject to certain conditions. We think this implies that Commerzbank is throwing in the towel as it may not be expecting further recoveries on the loan, and this may not bode well for the bondholders as they are unsecured. We think that RMT's Panamax vessels which are averaging around 9-10 years in age are at risk of being scrapped or sold significantly lower than book, as industry data shows that 10-year old Panamax vessels have a 100% demolition rate. OCBC Credit Research does not cover RMT. (Company, VesselValues, OCBC)

GuocoLand Ltd. (“GLL”): GLL told Straits Times last Friday that it sold the last three penthouses in the 210 unit development at Goodwood Residence. This is an encouraging piece of news amidst the slow property market as there was no sweetener offered such as deferred payment system. While this news is credit positive, we think the balance sheet will be the bigger driver of the credit profile going forward. We note several big ticket acquisitions announced recently such as the acquisition of a land parcel at Martin Place for SGD595mn, acquisition of land in Chengdu (est. to be worth about SGD557mn) and GLL will be acquiring 27% stake in Eco World International Bhd for about SGD666mn. (Company, Straits Times, OCBC)

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