

November 12, 2016

Credit Headlines (Page 2 onwards): Olam International Ltd., Swissco Holdings Ltd., Genting Singapore PLC, ASL Marine Holdings Ltd.

Market Commentary: The SGD swap curve bear-steepened last Friday with swap rates trading 6-12 bps higher across all tenors as the US dollar continues to appreciate on speculation that President-elect Donald Trump's fiscal policies are largely inflationary and that it will likely prompt the Federal Reserve to raise interest rates this year. Flows in the SGD corporates continue to stay muted on Friday. In the broader dollar space, the spread on JACI IG corporates decreased 7bps to 202bps while the yield on JACI HY corporates increased 3bps to 6.67% as market remains in a hesitant mode. The 10y UST yield closed at 2.15% on Thursday as the Treasury market was closed on Friday due to Veterans Day holiday in the US.

New Issues: Jiangsu Hanrui Investment Holding Co. Ltd. has launched a USD190mn 3-year bond with final price guidance at 5.3%. The expected issue ratings are "NR/NR/BB+". Kangde Xin Composite Material Group Co. has scheduled investor meetings from 14 November onwards for a potential USD bond issue with expected issue ratings of "NR/Baa3/BB". Adani Ports and Special Economic Zone Ltd. has scheduled investor meetings from 13 November onwards for a potential USD bond issue with expected issue ratings of "BBB-/Baa3/BBB-". Doosan Infracore Co. Ltd. has scheduled investor meetings from 14 November for a potential USD bond issue with expected issue ratings of "AA/NR/NR".

Rating Changes: S&P upgraded BlueScope Steel Ltd.'s corporate credit rating to "BB+" from "BB" with a stable outlook. The upgrade reflects S&P's expectation that BlueScope Steel will continue to generate solid credit metrics in 2017 due to its strong earnings momentum for the year to date and further debt reduction. S&P assigned preliminary "B+" issuer ratings to Casmar (Australia) Pty Ltd. and Casmar Finance LLC with a stable outlook.

Table 1: Key Financial Indicators

	14-Nov	1W chg (bps)	1M chg (bps)		14-Nov	1W chg	1M chg
iTraxx Asiax IG	130	15	13	Brent Crude Spot (\$/bbl)	44.93	-2.64%	-13.51%
iTraxx SovX APAC	42	7	8	Gold Spot (\$/oz)	1,227.80	-4.20%	-1.86%
iTraxx Japan	57	--	1	CRB	180.74	-0.97%	-4.45%
iTraxx Australia	112	7	8	GSCI	351.20	0.60%	-6.50%
CDX NA IG	77	1	2	VIX	14.17	-37.05%	-7.75%
CDX NA HY	103	-1	-1	CT10 (bp)	2.177%	35.04	37.88
iTraxx Eur Main	78	5	5	USD Swap Spread 10Y (bp)	-13	1	4
iTraxx Eur XO	350	23	17	USD Swap Spread 30Y (bp)	-55	0	2
iTraxx Eur Snr Fin	100	3	2	TED Spread (bp)	44	-8	-9
iTraxx Sovx WE	21	1	0	US Libor-OIS Spread (bp)	37	0	-4
iTraxx Sovx CEEMEA	97	6	4	Euro Libor-OIS Spread (bp)	4	0	0
					14-Nov	1W chg	1M chg
				AUD/USD	0.754	-2.50%	-1.09%
				USD/CHF	0.990	-1.63%	-0.01%
				EUR/USD	1.081	-2.09%	-1.48%
				USD/SGD	1.415	-1.78%	-1.72%
Korea 5Y CDS	52	8	11	DJIA	18,848	5.36%	3.91%
China 5Y CDS	122	15	17	SPX	2,164	3.80%	1.48%
Malaysia 5Y CDS	156	34	34	MSCI Asiax	522	-2.89%	-4.07%
Philippines 5Y CDS	129	18	10	HSI	22,531	-0.49%	-3.02%
Indonesia 5Y CDS	188	36	36	STI	2,815	0.93%	-0.02%
Thailand 5Y CDS	95	3	-5	KLCI	1,634	-0.85%	-1.49%
				JCI	5,232	-2.44%	-3.11%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
10-Nov-16	Gansu Provincial Highway	"BBB-/NR/BBB-"	USD500mn	3-year	CT3+195bps
7-Nov-16	EXIM Korea (Re-tap of SGD60mn)	"NR/Aa2/AA-"	SGD310mn	3-year	2.04%
7-Nov-16	Mapletree Commercial Trust	"NR/Baa1/NR"	SGD85mn	7-year	2.795%
4-Nov-16	China Nuclear Engineering	"NR/NR/NR"	CNH1.5bn	3-year	4.3%
3-Nov-16	Intl. Bank for Reconstruction & Dev.	"NR/Aaa/NR"	SGD500mn	3-year	1.12%
3-Nov-16	Bank of China Ltd.	"NR/Aa3/NR"	USD500mn	3-year	CT3+95bps
3-Nov-16	Huishang Bank Corp.	"NR/NR/NR"	USD888mn	Perp-NC5	5.5%
1-Nov-16	Wuhan Metro Group Co. Ltd.	"NR/NR/A"	USD290mn	3-year	CT3+180bps
1-Nov-16	Central China Real Estate	"B+/Baa3/NR"	USD200mn	5NC3	6.75%

Source: OCBC, Bloomberg

Rating Changes (cont'd):

Moody's assigned a first-time "Ba3" corporate family rating to Kangde Xin Composite Material Group Co. Ltd. (KDX) with a stable outlook. The rating reflects the company's strong growth prospects in the global optical film market and its technological capabilities, leadership in the pre-coated laminating film market, vertically integrated business model and high profitability, as well as strong liquidity. Moody's affirmed Frasers Centrepoint Trust's (FCT) "Baa1" issuer rating and revised its outlook to stable from positive. The revision reflects Moody's expectation that the potential for upgrade is limited as FCT's asset size will remain small over the next 12-18 months. Additionally, the stable outlook reflects that FCT will continue to deliver strong operating results and maintain its strong financial profile, while growing the portfolio in a prudent manner. Moody's has placed China Oilfield Services Ltd.'s (COSL) "Baa1" issuer rating on review for downgrade. The review for downgrade reflects Moody's concerns over COSL's weak financial results and the substantial increase in debt leverage in the first nine months of 2016.

Credit Headlines:

Olam International Ltd. ("OLAM"): OLAM reported its 3Q2016 and 9M2016 results today. 9M2016 revenue increased by 6.4% to reach SGD14.5bn (9M2015: SGD13.6bn) while reported EBITDA increased 3.4% to reach SGD853.9mn (9M2015: SGD825.8mn). The 9M2016 growth in EBITDA was contributed by the growth in Confectionery & Beverage Ingredients and Food Staples & Packaged Foods (collectively up SGD142.4mn) which was sufficient to offset the EBITDA decline in Edible Nuts, Spices & Vegetable Ingredients, Industrial Raw Materials and Commodity Financial Services (collectively down SGD114.1mn). A series of initiatives taken by the company to optimize debt tenures and cost of debt financing resulted in the company reporting lower net finance cost during 9M2016. Excluding exceptional items, net finance cost was SGD291.6mn, against SGD327.6mn in 9M2015. Reported profit after tax was SGD236.0mn, up 68.1% against SGD140.4mn in 9M2015. This was largely due to lower exceptional losses recognized in 9M2016 versus 9M2015 (loss of SGD101.0mn recognized in 9M2015 as part of OLAM's early redemption of bonds). In 9M2016, OLAM managed to report cash flow from operations (after interest paid) of SGD435mn, however, investing cashflows (acquisitions of wheat milling assets in Nigeria, Brooks peanut company, palm oil investments) was significant at SGD901.4mn. The company raised further perpetuals and borrowings to plug the cash gap). Overall, OLAM's leverage levels have increased moderately, despite headline gearing (as measured by net debt-to-equity) showing a fall to 1.87x as at 30 September 2016 from 1.96x as at 31 December 2015. Adjusting net debt for 50% perpetuals as debt and 50% of perpetuals as equity, we find adjusted net debt-to-equity to be 2.16x (31 December 2015: 1.97x). As bulk of inventory is hedged and/or sold forward and receivables supported by letters of credit/bank documentations, OLAM also adjusts downwards net debt for such readily marketable inventories and secured receivables. As at 30 September 2016, OLAM's reported adjusted net debt-to-equity increased to 0.79x from 0.73x as at 31 December 2015. While we like that OLAM has been reporting stronger CFO, nevertheless, much of these continues to be consumed by growth and pursuing shareholder friendly moves. In 9M2016, OLAM paid out SGD184mn in dividends (we estimate the annualized dividend yield at 4.4% at a share price of SGD2.07) and spent another SGD75.8mn in buying back shares. We continue to hold OLAM's issuer profile at Neutral. (Company, OCBC)

Credit Headlines:

Swissco Holdings Ltd. ("SWCH"): SWCH announced that on 11/11/16, it had applied to the SGX for an extension to the release of its 3Q2016 results. Currently, SWCH is required to report its 3Q2016 results by 14/11/16. SWCH cited the recent court orders for the arrest of four of its rigs, due to X-Drill Holding's claims (as announced on 03/11/16 and 09/11/16) as driving the need for SWCH to re-evaluate its financial statements. In a separate filing, SWCH had given a profit warning, indicating that it expects a quarterly loss for 3Q2016. Its four drilling rigs (purchased from Ensco in 2014) remain off-charter, dragging on results. In addition, SWCH indicated that it had taken impairments on its fleet of vessels, rigs and receivables during the quarter. This would be consistent with SWCH's previous indication that it would need to mark-to-market its assets as part of any restructuring. (Company, OCBC)

Genting Singapore PLC ("GENS"): GENS has announced that it will be exiting its South Korea integrated resort joint venture ("Jeju IR"). As part of the exit, GENS is selling its 50% stake to its JV partner, Landing International Development Limited ("LIDL"), for USD420mn in cash. This is a 10% premium over the amounts that GENS invested till-date (~USD380mn). GENS indicated that it was comfortable with healthy performance of its Singapore IR, and that the sale was driven in part by management's desire to focus resources on bidding for any potential Japan integrated resort project (GENS and other gaming peers have indicated that the recent news reports from Japan regarding the advancement of the process to debate and pass the Integrated Resort Promotion Bill have been encouraging). The long stop date is 6 months from 11/11/16. The transaction is subjected to LIDL holding a Shareholder General Meeting ("SGM") to obtain shareholder approval for the transaction (the circular and notice for the SGM will be sent by 02/12/16). The payment will be made in two tranches, with the first tranche of USD220mn being paid within 7 days of LIDL obtaining shareholder approval. The balance will be paid 6 months after the first tranche is paid. From LIDL's filing, it would seem that LIDL was the party that approached GENS regarding the purchase of GENS's stake in the Jeju IR. This was reinforced by the breakup fee of USD10mn payable to GENS should LIDL fail to obtain shareholder support for the transaction and GENS choosing to terminate the transaction in response. GENS expects the transaction to be completed in 1Q2017, subjected to LIDL being able to obtain approval from its shareholders. The disposal is expected to allow GENS to book a gain of ~SGD81mn. In our view, the divestment is abrupt, and given that the Jeju IR is scheduled to open in phases from the latter part of 2017 onwards the timing is curious. As such, in the interim the news of the divestment could pressure the perpetual securities. That said, we would consider the impact of the divestment to be net credit positive. GENS would be cashing out of its investment in the Jeju IR, building up its coffers for any potential Japan IR bid. This would also help conserve management bandwidth. For now, it is premature to consider the credit impact of any potential Japan IR development though we note that any such developments would unlikely be ready before the 2020 Olympics. In the interim, GENS would be able to continue to generate significant free cash flow from the Singapore IR and build its war chest for any potential Japan IR developments. We will continue to hold GENS's Issuer Profile at Positive, while we hold the perpetual securities at Neutral on valuation. (Company, OCBC)

ASL Marine Holdings Ltd. ("ASL"): ASL has filed its Annual Report for the fiscal year ending June 2016. There are two pieces of information that were disclosed that are meaningful for bondholders. The first relates to ASL's independent auditor's opinion. The auditor, Ernst and Young LLP ("E&Y"), provided an unqualified opinion for ASL's audited statement. However, the auditor also included an 'Emphasis of matter' in respect of ASL's ability to continue as a going concern. Specifically, E&Y highlighted ASL's SGD362.9mn in current borrowings versus SGD24.7mn in cash balance as of end-June 2016. The auditor also highlighted ASL's ability to continue as a going concern is dependent on the on-going non-underwritten rights issue, successful completion of the club term loan facility and the ability of ASL to generate sufficient cash flows from operations as forecasted. The second information relates to ASL's club term loan. ASL announced that it had signed a commitment letter with various lenders for a 5-year club term loan facility amounting to SGD99.9mn. A condition to the club term loan is ASL successfully extending the maturity of its SGD100mn in bonds due 28/03/17 as well as its SGD50mn in bonds due 01/10/18 by 3 years or more, as well as to obtain other related waivers, prior to the first drawdown of the club term loan facility. ASL has appointed a consent solicitation agent, and intends to engage noteholders before the launch of the consent solicitation exercise. We will update our views as more firm details regarding the restructuring emerge. We will keep our Negative Issuer Profile on ASL, and withdraw our bond level recommendation on the ASLSP'17s and ASLSP'18s until more details regarding the restructure are released. (Company, OCBC)

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W