

October 12, 2016

Credit Headlines (Page 2 onwards): Frasers Hospitality Trust, Otto Marine Ltd., Perisai Petroleum Teknologi Bhd

Market Commentary: The SGD swap curve traded upwards yesterday with swap rates trading 4-7bps higher across all tenors. Flows in the SGD corporate were light with two-way flow seen in GENSSP 5.13%’49s. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 203bps while the yield on JACI HY corporates increased 2bps to 6.53%. 10y UST yield increased 5bps to 1.76% with market re-pricing in a post-holiday trade amid a risk-asset rally spurred by a stronger recovery in oil prices earlier this week.

New Issues: Bumi Serpong Damai Tbk PT. has priced a USD200mn 7NC4 bond at 5.75% with expected issue ratings of “NR/Ba3/BB-“. Keb Hana Bank has priced a 2-tranche deal with the USD350mn 3-year bond priced at CT3+85bps while the other USD300mn 5-year tranche was priced at CT5+95bps. The expected issue ratings are “A/A1/NR“. Sumitomo Mitsui Financial Group Inc. has priced a 3-tranche deal with the USD1.5bn 5-year bond priced at CT5+115bps, the USD500mn 5-year bond priced at 3mL+114bps and the USD1.5bn 10-year bond priced at CT10+125bps. The expected issue ratings are “A-/A1/NR“. Sumitomo Mitsui Banking Corporation also priced a 2-tranche deal with the USD500mn 2-year bond priced at CT2+90bps while the other USD500mn 2-year tranche was priced at 3mL+67bps. Development Bank of Japan has launched a USD500mn 5-year bond with initial price guidance at MS+90bps that may be priced today. The expected ratings for the issue are “A/A1/NR“. Jiangsu Zhongguancun has scheduled investor road shows on 12 October for potential USD bond issue. Huai’An Traffic Holding Co. has scheduled investor road shows from 13 October for potential USD bond issue with expected issue ratings of “NR/NR/BB+“. Finally, Commonwealth Bank of Australia has hired managers for a potential USD 10NC5 Tier 2 bond with expected ratings of “BBB+/A3/NR“.

Table 1: Key Financial Indicators

	12-Oct	1W chg (bps)	1M chg (bps)		12-Oct	1W chg	1M chg
iTraxx Asiax IG	117	2	8	Brent Crude Spot (\$/bbl)	52.48	1.20%	8.61%
iTraxx Sovx APAC	33	1	-5	Gold Spot (\$/oz)	1,253.83	-1.03%	-5.57%
iTraxx Japan	55	-1	1	CRB	189.16	1.14%	3.40%
iTraxx Australia	104	0	4	GSCI	375.63	2.23%	5.27%
CDX NA IG	76	1	3	VIX	15.36	13.19%	1.32%
CDX NA HY	104	0	0	CT10 (bp)	1.764%	6.17	10.09
iTraxx Eur Main	74	1	4	USD Swap Spread 10Y (bp)	-16	-1	0
iTraxx Eur XO	335	3	9	USD Swap Spread 30Y (bp)	-56	-2	-1
iTraxx Eur Snr Fin	100	0	10	TED Spread (bp)	56	1	4
iTraxx Sovx WE	21	-1	-4	US Libor-OIS Spread (bp)	41	0	-1
iTraxx Sovx CEEMEA	94	4	-12	Euro Libor-OIS Spread (bp)	4	0	1
					12-Oct	1W chg	1M chg
				AUD/USD	0.757	-0.75%	-0.01%
				USD/CHF	0.988	-1.43%	-1.67%
				EUR/USD	1.105	-1.37%	-1.63%
				USD/SGD	1.378	-0.60%	-1.60%
Korea 5Y CDS	40	0	-2	DJIA	18,129	-0.22%	-1.07%
China 5Y CDS	107	2	8	SPX	2,137	-0.64%	-1.03%
Malaysia 5Y CDS	120	2	1	MSCI Asiax	551	-1.30%	1.55%
Philippines 5Y CDS	119	1	30	HSI	23,550	-0.15%	1.11%
Indonesia 5Y CDS	151	1	9	STI	2,856	-0.99%	-0.60%
Thailand 5Y CDS	90	6	6	KLCI	1,669	0.45%	-1.05%
				JCI	5,382	-1.65%	1.89%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
11-Oct-16	Bumi Serpong Damai Tbk PT.	“NR/Ba3/BB-“	USD200mn	7NC4	5.75%
11-Oct-16	Keb Hana Bank	“A/A1/NR“	USD350mn	3-year	CT3+85bps
11-Oct-16	Keb Hana Bank	“A/A1/NR“	USD300mn	5-year	CT5+95bps
11-Oct-16	Sumitomo Mitsui Financial Group	“A-/A1/NR“	USD1.5bn	5-year	CT5+115bps
11-Oct-16	Sumitomo Mitsui Financial Group	“A-/A1/NR“	USD500mn	5-year	3mL+114bps
11-Oct-16	Sumitomo Mitsui Financial Group	“A-/A1/NR“	USD1.5bn	10-year	CT10+125bps
11-Oct-16	Sumitomo Mitsui Banking Corp.	“A/A1/NR“	USD500mn	2-year	CT2+90bps
11-Oct-16	Sumitomo Mitsui Banking Corp.	“A/A1/NR“	USD500mn	2-year	3mL+67bps

Source: OCBC, Bloomberg

Rating Changes: S&P assigned a “BBB” corporate credit rating to WH Group Ltd. with a stable outlook. The rating reflects S&P’s expectation that the company will maintain its market leadership in pork products in China and good geographic diversity with strong operating cash flow over the next 24 months. Moody’s has assigned a first time “Baa3” issuer rating to Zhuzhou City Construction Development Group Co. Ltd. (ZCCD) with a negative outlook. The rating reflects ZCCD’s close linkage to Zhuzhou government given its integral role in executing public infrastructure projects and providing a broad range of public services. The negative outlook reflects the consideration that ZCCD’s ratings, which incorporates government support and uplift, could be impacted by potentially weaker support from the Zhuzhou and Hunan government in the future, given the negative outlook on China’s “Aa3” sovereign rating. Similarly, Fitch has assigned ZCCD a “BBB-“ issuer default ratings with a stable outlook. Moody’s has revised its outlook for Sydney Water Corp.’s “Aa3” issuer rating to stable from negative. The revision reflects Moody’s belief that Sydney Water’s shareholder, the New South Wales state government, will implement countermeasures to maintain the company’s metrics within its rating tolerance level. Fitch revised its outlook on Sime Darby Bhd’s “BBB+” issuer default ratings to stable from negative. The revision follows the company’s announcement of a successful share placement, the proceeds of which will help the company lower its leverage. Additionally, the outlook for the palm oil plantation business has improved significantly following a recovery in crude palm oil prices this year.

Credit Headlines:

Frasers Hospitality Trust (“FHT”): FHT’s has announced that its rights issue has been oversubscribed. Valid acceptances and excess applications (including those from its Sponsor and major shareholder Frasers Centrepoint Limited) was 141.3% of the total number of rights available. Proceeds from the rights issue (~SGD266mn) will go towards funding FHT’s first acquisition in Melbourne. We estimate that FHT’s leverage ratio as measured by total debt-to-total asset will decline to 34% (30 June 2016: 38%). While this is a credit positive development in our view, Moody’s has opined that there is low likelihood that it will upgrade FHT’s rating in the medium term, as the expected leverage will recover only to levels expected for its current Baa2/Stable rating. (Company, OCBC)

Otto Marine Limited (“OTML”): OTML has announced that as part of the amended terms of the OTMLSP’17 bond issue, given that OTML’s stock has delisted on the stock exchange on 07/10/16, the bonds have to be redeemed within 14 days. OTML has announced that it will be redeeming the bonds on 21/10/16. In addition, for bondholders who are eligible for consent fees (as part of the restructuring to extend the bond maturities earlier this year), these fees will be paid on the 21/10/16 as well. (Company)

Perisai Petroleum Teknologi Bhd (“PPT”): PPT announced that it received a notice from the bond trustee that an event of default has occurred due to the failure of PPT to make principal and interest payments on the bonds (which was due on 03/10/16). PPT reiterated its intent to engage with bondholders regarding restructuring the bonds, and noted as well that the current default on the bonds would trigger cross default clauses on the loan facilities taken by PPT. (KLSE)

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