

September 14, 2016

Credit Headlines (Page 2 onwards): Perisai Petroleum Teknologi Bhd., Ezra Holdings, AusGroup Ltd., Frasers Hospitality Trust

Market Commentary: The SGD dollar swap curve continued to trade upwards yesterday with swap rates trading 5-12bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in ARTSP 4.68%'49s and better selling seen in ABNANV 4.75%'26s and NAB 4.15%'28s. Meanwhile, we also saw mixed interests in SOCGEN 4.3%'26s, GENSSP 5.13%'49s and SINTEC 4.05%'25s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 199bps while the yield on JACI HY corporates decreased 3bps to 6.45%. 10y UST yield increased 6bps to 1.73%, a level not seen post-Brexit.

New Issues: Westpac Banking Corp priced a AUD1bn 1-year bond at BBSW+43bps. The expected issue ratings are "AA-/Aa2/NR". Industrial Bank Co. Ltd. (Hong Kong) priced a dual-tranche deal with the USD700mn 3-year bonds priced at CT3+113bps, tightening from initial guidance at CT3+145bps. The other USD300mn 5-year tranche was priced at CT5+125bps, tightening from initial price guidance at CT5+155bps. The expected issue ratings are "NR/Baa2/NR". Imperial Pacific International Holdings Ltd. has scheduled investor meetings from 14 Sept for potential USD bond issuance. KEB Hana Bank has also scheduled investor meetings from 26 Sept for a potential USD bond issue.

Rating Changes: S&P revised its rating outlook on Chevron Corp.'s "AA-" corporate credit rating to negative from stable. The negative outlook reflects S&P's forecast that Chevron's credit measures will be weak for the rating through next year although it will improve to acceptable levels in 2018, based on S&P's increasing commodity price assumptions. S&P revised its rating outlook on Jiangsu New Headline Development Group Co. Ltd.'s (NHL) "BB+" corporate credit rating to negative from stable. Additionally, the rating outlook on HK Zhiyuan Group Ltd.'s (Zhiyuan) "BB" corporate credit rating was also revised to negative from stable. The decisions were in view of the weakened credit quality of Lianyungang municipal government who owns 100% of NHL. Lianyungang's financial capacity to provide support to NHL is likely to diminish further over the next 12 months.

Table 1: Key Financial Indicators

	14-Sep	1W chg (bps)	1M chg (bps)		14-Sep	1W chg	1M chg
iTraxx Asiax IG	116	9	2	Brent Crude Spot (\$/bbl)	47.33	-1.35%	0.77%
iTraxx Sovx APAC	40	4	-4	Gold Spot (\$/oz)	1,318.67	-1.97%	-1.55%
iTraxx Japan	54	-4	1	CRB	180.56	-0.19%	-1.16%
iTraxx Australia	101	5	-2	GSCI	350.60	0.69%	-0.71%
CDX NA IG	77	5	7	VIX	17.85	48.50%	54.55%
CDX NA HY	103	-1	-1	CT10 (bp)	1.718%	17.93	20.49
iTraxx Eur Main	72	7	6	USD Swap Spread 10Y (bp)	-17	-2	-4
iTraxx Eur XO	335	29	31	USD Swap Spread 30Y (bp)	-55	-2	-5
iTraxx Eur Snr Fin	93	9	6	TED Spread (bp)	50	-1	-5
iTraxx Sovx WE	25	1	2	US Libor-OIS Spread (bp)	41	1	0
iTraxx Sovx CEEMEA	106	5	-7	Euro Libor-OIS Spread (bp)	4	0	-2
					14-Sep	1W chg	1M chg
				AUD/USD	0.747	-2.67%	-2.68%
				USD/CHF	0.977	-0.75%	-0.43%
				EUR/USD	1.122	-0.19%	0.30%
				USD/SGD	1.367	-1.50%	-1.77%
Korea 5Y CDS	44	4	0	DJIA	18,067	-2.54%	-2.74%
China 5Y CDS	103	9	0	SPX	2,127	-2.72%	-2.61%
Malaysia 5Y CDS	123	9	-1	MSCI Asiax	541	-3.58%	-0.98%
Philippines 5Y CDS	94	10	5	HSI	23,216	-2.40%	1.97%
Indonesia 5Y CDS	147	11	5	STI	2,818	-1.17%	-1.71%
Thailand 5Y CDS	88	8	0	KLCI	1,677	-0.05%	-0.41%
				JCI	5,216	-2.64%	-3.01%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Sep-16	Westpac Banking Corp.	"AA-/Aa2/NR"	AUD1bn	1-year	BBSW+43bps
13-Sep-16	Industrial Bank Co. Ltd. (Hong Kong)	"NR/Baa2/NR"	USD700mn	3-year	CT3+113bps
13-Sep-16	Industrial Bank Co. Ltd. (Hong Kong)	"NR/Baa2/NR"	USD300mn	5-year	CT5+125bps
12-Sep-16	Emperor International Holdings	"NR/NRNR"	USD200mn	5-year	4%
9-Sep-16	Housing and Development Board	"NR/Aaa/NR"	SGD600mn	10-year	2.04%
9-Sep-16	Powerlong Real Estate Holdings	"NA/B3/NR"	USD200mn	5NC3	4.88%
8-Sep-16	Olam International Ltd.	"NR/NR/NR"	USD150mn	5-year	4.1%
8-Sep-16	BOC Aviation Ltd.	"BBB+/NR/A-"	USD500mn	5-year	CT5+135bps

Source: OCBC, Bloomberg

Rating Changes (cont): Moody's has assigned the following credit ratings to Bank of Nanjing Co. Ltd.: (1) "Baa3" long-term currency deposit ratings with negative outlook; (2) "P-3" short-term currency deposit ratings; (3) "ba2" baseline credit assessment (BCA); and (4) "ba2" adjusted baseline credit assessment. The ratings incorporate the bank's BCA of "ba2" and a two-notch uplift, based on Moody's assumption of a high level of government support for the bank in times of need. Fitch downgraded Wuzhou International Holdings Ltd.'s issuer default ratings to "CCC" from "B-". The downgrade reflects the sustained weakening of Wuzhou's financial position as demand for its main trade centre product remained weak amid poor business sentiment among SMEs. Fitch assigned Sichuan Development Holding Co. Ltd. "A-" issuer default ratings with a stable outlook. Fitch is expected to assign Imperial Pacific International Holdings Ltd (IPI) with a "B" issuer default rating with a stable outlook. The rating reflects the short operating history of IPI's gaming business in Saipan, which is almost entirely driven by the volatile high-rolling VIP segment.

Credit Headlines:

Perisai Petroleum Teknologi Bhd ("PPT"): PPT, an associate company of Ezra Holdings (23% ownership), has announced a consent solicitation to restructure its SGD125mn in bonds maturing on 03/10/16. The meeting of noteholders will be held on 03/10/16, the maturity date of the bond itself. The main amendment sought would be the extension of the bond maturity by 4 months to 03/02/17. In addition, the final coupon originally due on maturity will also be deferred. The issuer's intention for the extension was to buy time to consider its options to formulate a long-term proposal. Possible infusions of cash include a put option which PPT can exercise to sell the balance 50% of SJM Marine (which holds the Enterprise 3 Derrick lay Barge) back to EMAS Offshore (subsidiary of Ezra Holdings) for ~USD37mn. This put option has to be exercised sometime in November, to be paid in December. Other terms which PPT seeks to obtain include the waiver of the interest coverage covenant breach for the quarters ending June and September as well as the removal of the interest coverage covenant outright. OCBC does not currently cover PPT. (Company, OCBC)

Ezra Holdings ("EZRA"): EZRA has announced that fund-raising initiatives have been progressing, and that term sheets have been shared with counterparties. On-going initiatives include the issuance of new loans, issue of new securities and/or the sale of non-core assets. No definite agreements have been made as of the date of the announcement. The disclosure was made in response to SGX queries on EZRA's stock seeing a spike in trading volume on the 09/09/16. (Company)

AusGroup Ltd ("AUSG"): AUSG has announced a consent solicitation to restructure its SGD110mn in bonds maturing on 20/10/16. The vote will be made on 05/10/16. The terms have built on the presentation made by KPMG to noteholders on 30/06/16. The main gist of the restructuring would be to extend the bond for two more years, with the bond maturing on 20/10/18 instead. AUSG's Australian port assets will in turn be provided as security to the bonds (with the bond's claim to the proceeds ranking behind potential new lenders of up to AUD20mn worth of fresh working capital). There will also be a step-up in interest rate by 50bps for the first year of extension (to 7.95%), and another 50bps for the second year (to 8.45%). Interest payments will also be revised to be paid on a monthly basis rather than the current semi-annual basis. AUSG will also pay down SGD4mn in principal. A redemption option on the bond will also be included on the bond, to be exercised by AUSG in the event of the sale of the port assets. As part of the restructuring, AUSG will no longer need to comply with its existing financial covenants related to the bond. There are also provisions which would allow AUSG to more easily seek a further year extension (to 2019) by reducing the quorum required for the noteholder vote from 75% to 66%. AUSG is an associate company of Ezion Holdings (18% ownership). We do not currently cover AUSG. (Company, OCBC)

Credit Headlines:

Frasers Hospitality Trust ("FHT"): FHT is acquiring its first property in Melbourne (the Novotel on Collins Street in the heart of Melbourne's Central Business District) for AUD237mn (SGD243mn) from LaSalle Investment Management. The property will continue to be managed by AccorHotels Group under the "Novotel" brand. The acquisition will be fully funded by a 32 for 100 underwritten and renounceable rights issue which aims to raise SGD266.3mn. 441.5mn new stapled securities will be offered by FHT at SGD0.603 (representing a 23.7% discount to the closing price as at 9 September 2016 and 19% discount to the theoretical ex-right price). Frasers Centrepont Limited (the Sponsor) has entered into an irrevocable undertaking to subscribe in full for its pro rata entitlement, representing ~SGD58mn in gross proceeds. TCC Group Investments Limited ("TCC") have also irrevocably undertaken to subscribe its rights for up to SGD128mn (including ~SGD25mn in excess applications). As at 30 June 2016, leverage (as measured by total debt-to-total asset) was 38%, on a pro-forma basis, leverage would be lower at 34%. Post-transaction, FHT's portfolio will increase to SGD2.3bn (from SGD2.1bn as at 30 June 2016), with Australia contributing 26% to net property income. We view this equity-funded transaction as credit positive. (Company, OCBC)

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