

November 18, 2016

Credit Headlines (Page 2 onwards): Swissco Holdings Ltd.. China Vanke Co. Ltd, Sabana Industrial REIT, Mapletre Logistics Trust

Market Commentary: The SGD swap curve bull-flattened yesterday with swap rates trading mostly 2-7bps lower across all tenors. Flows in the SGD corporates were moderate with better buying seen in, SIASP 3.13%'26s and HACL 6.5%'19s while mixed interest was seen in, PILLSP 5.9%'17s. In the broader dollar space, the spread on JACI IG corporates increased 3bps to 202bps while the yield on JACI HY corporates decreased 3bps to 6.84%. 10y UST yield increased 9bps to 2.3% as the case for interest rate hike continues to strengthen following Yellen's speech ("interest rate hike could come 'relatively soon') and positive economic data (initial jobless claim lowest in 43 years).

New Issues: CEFC Shanghai International has launched a USD 2-year bond with initial price guidance at 6%. China Energy Reserve has launched a USD 3-year bond with initial price guidance at 6.25%. Tieling Public Asset Investment plans to issue a USD200mn bond before the end of the year.

Rating Changes: S&P upgraded Nomura Holdings Inc. counterparty credit rating to "A-" from "BBB+". Additionally, the counterparty credit ratings of Nomura's core subsidiaries were also upgraded to "A" from "A-". The outlooks on the ratings are negative and the upgrades reflects S&P's view that the group has swiftly improved its risk-adjusted capital ratio in 2016 by slashing its risk assets, increasing the likelihood for it to keep the ratio steadily and sufficiently above 10%. Moody's affirmed the corporate family rating of PT MNC Investama Tbk. (BJIT) at "Caa1" and the "Caa2" senior secured rating of the bonds issued by its wholly-owned subsidiary Ottawa Holdings Pte. Ltd. The outlook on the ratings is negative. The rating action concludes the review for downgrade initiated on 5 September and reflects the announcement on 11 November from Sky Vision (BJIT's subsidiary) that it has signed a new syndicated loan facility to refinance the balance of the company's existing three-year loan maturing in mid-December.

Table 1: Key Financial Indicators

	18-Nov	1W chg (bps)	1M chg (bps)		18-Nov	1W chg	1M chg
iTraxx Asiax IG	127	-3	10	Brent Crude Spot (\$/bbl)	46.49	1.42%	-9.76%
iTraxx SovX APAC	44	2	9	Gold Spot (\$/oz)	1,214.53	-1.07%	-3.80%
iTraxx Japan	56	-2	1	CRB	182.44	-0.84%	-3.87%
iTraxx Australia	110	-2	5	GSCI	357.97	0.49%	-4.68%
CDX NA IG	75	-2	--	VIX	13.35	-7.16%	-12.63%
CDX NA HY	104	1	-1	CT10 (bp)	2.294%	14.36	55.58
iTraxx Eur Main	79	1	7	USD Swap Spread 10Y (bp)	-16	-3	1
iTraxx Eur XO	343	-8	12	USD Swap Spread 30Y (bp)	-57	0	0
iTraxx Eur Snr Fin	106	5	8	TED Spread (bp)	45	-1	-15
iTraxx Sovx WE	22	1	3	US Libor-OIS Spread (bp)	34	-4	-8
iTraxx Sovx CEEMEA	102	5	8	Euro Libor-OIS Spread (bp)	4	0	0
					18-Nov	1W chg	1M chg
				AUD/USD	0.740	-1.92%	-3.46%
				USD/CHF	1.008	-1.98%	-1.80%
				EUR/USD	1.061	-2.23%	-3.35%
				USD/SGD	1.423	-0.75%	-2.65%
Korea 5Y CDS	52	0	11	DJIA	18,904	0.51%	4.08%
China 5Y CDS	118	-3	11	SPX	2,187	0.91%	2.22%
Malaysia 5Y CDS	165	9	41	MSCI Asiax	516	-1.05%	-5.97%
Philippines 5Y CDS	126	-3	7	HSI	22,263	-2.52%	-4.84%
Indonesia 5Y CDS	180	-8	26	STI	2,813	-0.73%	-0.61%
Thailand 5Y CDS	92	-3	-7	KLCI	1,627	-1.57%	-2.45%
				JCI	5,193	-4.72%	-4.37%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
16-Nov-16	Fosun International (Re-Tap)	"BB/NR/NR"	USD290mn	5.5%'23s	5.35%
16-Nov-16	Australia & New Zealand Banking Group	"AA-/Aa2/NR"	USD900mn	3-year	CT3+80bps
16-Nov-16	Australia & New Zealand Banking Group	"AA-/Aa2/NR"	USD850mn	5-year	CT5+90bps
16-Nov-16	Australia & New Zealand Banking Group	"AA-/Aa2/NR"	USD850mn	3-year	3mL+66bps
16-Nov-16	Australia & New Zealand Banking Group	"AA-/Aa2/NR"	USD400mn	5-year	3mL+87bps
15-Nov-16	Housing & Development Board	"NR/Aaa/NR"	SGD900mn	5-year	2.2%
15-Nov-16	Doosan Infracore Co.	"AA/NR/NR"	USD300mn	3-year	CT3+115bps
15-Nov-16	China Huarong Asset Management	"BBB+/NR/A"	USD1bn	5-year	CT3+170bps
15-Nov-16	China Huarong Asset Management	"BBB+/NR/A"	USD1.35bn	10-year	CT5+200bps

Source: OCBC, Bloomberg

Credit Headlines:

Swissco Holdings Ltd. (“SWCH”): SWCH has reported that there were actions taken by creditors against some of SWCH's related entities. The first relates to Ezion Holdings Limited (“EZI”), who has made a claim against SWCH's subsidiary Scott & English Energy Pte Ltd (“S&E”) over corporate guarantee fees due for the 3 rigs which SWCH and EZI jointly own. The contested amount totals USD522k, with EZI stating that unless the sums are paid within 3 weeks, EZI will be making an application to wind-up S&E. S&E is the wholly-owned subsidiary of SWCH that holds SWCH's stakes in its 7 drilling assets. We note that in SWCH's recent 3Q2016 results, SWCH has stated that it had accepted an offer from EZI for SWCH's stakes in the 3 jointly owned rigs. In the same filing, SWCH indicated that certain holders of Redeemable Exchangeable Preference Shares (“REPS”) in the two 50%-owned former Ensco rigs have claimed that a “Liquidation Event” has occurred at the entities which hold the four former Ensco rigs (S&E Offshore Investments Pte Ltd and S&E Offshore Investments 2 Pte Ltd) and that these entities are now required to redeem the REPS. It should be noted that three of the former Ensco rigs held by these two entities could be seized by a creditor (X-Drill Holdings) due to a court order granted. Given the uncertainty over the corporate guarantees which SWCH might have given to the affected entities above, the overall impact for bondholders (who hold bonds issued by the parent holding company, SWCH) is uncertain, though the above claims are likely to pressure recoveries from SWCH's drilling assets.

China Vanke Co. Ltd. (“Vanke”): As of 18 November 2016, China Evergrande Group (“Evergrande”) has acquired 9.452% of the total issued share capital of Vanke, becoming the third largest shareholder behind Baoneng Group and state-owned China Resources. Vanke's corporate credit rating is currently held at BBB+/Baa1/BBB+ , with a negative outlook by both S&P and Moody's while Evergrande is at B-/B2/B+ (all 3 rating agencies hold Evergrande with a negative outlook). The rating agencies had earlier raised that Vanke's track record of financial prudence could be negatively affected by a more aggressive investor (eg: if Evergrande seeks greater influence beyond that as a financial investor). While Evergrande has not publicly disclose its intent, its stake is now just below the 10% threshold where it can unilaterally call and preside over a general meeting of shareholders. We see the potential entry of Evergrande as a controlling shareholder to cap upside potential on Vanke's mid/longer term bonds. This is heightened by the existence of significant Evergrande bonds maturing post-2017 (~USD5.1bn). We continue to hold the VANKE 3.275 '17s at neutral. There are no change of control clause on this bond. (Company, OCBC)

Sabana Shari'ah Industrial REIT (“Sabana”): Sabana has entered into 3 Master Leases with its Sponsor (Vibrant Group), following the exercise of the option to renew. Each of these Master Leases will be for 1 year with 4 successive options to renew for a one year term each. These leases are on a triple-net basis, with aggregate rents at ~SGD10.1mn. With the renewal of these leases by Sponsor, the short term uncertainty of these 3 properties have been removed. We continue to maintain Sabana's issuer profile at Negative. (Company, OCBC)

Mapletre Logistics Trust (“MLT”): MLT has reportedly engaged real estate agents to sell 14 properties in Singapore as part of a portfolio rejuvenation exercise. The properties have a combined valuation of SGD291mn as at 31 March 2016 (and represents ~5.5% of its property portfolio. Assuming a successful transaction and that monies received goes into paring down debt, MLT's adjusted aggregate levels may go down below 40% (30 September 2016: 42.9%), though we think that any sales process will be protracted in light of the soft environment. We continue to hold MLT's issuer profile at Neutral. (Business Times, OCBC)

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