

September 29, 2016

Credit Headlines (Page 2 onwards): Rickmers Maritime Trust, Industry Outlook – China Property

Market Commentary: The SGD dollar swap curve traded upwards yesterday with swap rates traded 1-3bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in SCISP 4.75%'49s and GENSSP 5.13%'49s. Mixed interests were seen in STANLN 4.4%'26s, SOCGEN 4.3%'26s, OLAMSP 4.25%'19s and OCBCSP 4%'49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 204bps while the yield on JACI HY corporates increased 1bps to 6.42%. 10y UST yield increased 2bps to 1.57% following OPEC's meeting that came into consensus to reduce oil production for the first time in eight years.

New Issues: Jababeka International B.V. has priced a USD20.617mn 7NC4 bond at 6.5% with expected issue ratings of "B+/NR/B+". New World Development priced a USD1.2bn perpetual, non-callable for 5-year bond at 5.75%, tightening from its initial guidance at 6%. HNA Group International Co. Ltd. has priced a USD200mn 5-year bond at 6.25%. CK Hutchison has priced a two tranche deal with the USD750mn 5-year bond priced at CT5+90bps while the other tranche of USD500mn 10-year bond was priced at CT10+130bps. The expected issue ratings are "A-/A3/A-". Zhuzhou City has scheduled investor road shows from 4 October onwards for potential USD bond issuance.

Rating Changes: S&P assigned a "B" corporate credit rating to Xinjiang Guanghai Industry Investment (Group) Co. Ltd. (Guanghai) with a stable outlook. The rating reflects the company's operations in China's highly competitive and fragmented auto retail industry, and its exposure to the highly volatile energy and cyclical property segments. Moody's also assigned a "B2" corporate family rating to Guanghai with a stable outlook. Moody's rating reflects Guanghai's 37.3% equity interest in China Grand Automotive Services Co., Ltd. (CGA), a leading auto dealer in China, as well as Guanghai's weak debt-servicing ability from minority ownership in CGA and lack of dividends from CGA as well as large funding requirements needed to meet investments in its energy and auto dealership business.

Table 1: Key Financial Indicators

	29-Sep	1W chg (bps)	1M chg (bps)		29-Sep	1W chg	1M chg
iTraxx Asiax IG	118	2	4	Brent Crude Spot (\$/bbl)	48.69	3.97%	-2.46%
iTraxx Sovx APAC	31	0	-10	Gold Spot (\$/oz)	1,323.35	-1.03%	0.00%
iTraxx Japan	59	0	6	CRB	185.90	0.56%	0.80%
iTraxx Australia	104	0	4	GSCI	360.22	1.50%	0.30%
CDX NA IG	75	-1	4	VIX	12.39	-6.84%	-4.25%
CDX NA HY	104	-1	0	CT10 (bp)	1.584%	-3.43	2.45
iTraxx Eur Main	73	4	6	USD Swap Spread 10Y (bp)	-15	2	0
iTraxx Eur XO	336	14	29	USD Swap Spread 30Y (bp)	-55	0	0
iTraxx Eur Snr Fin	102	4	12	TED Spread (bp)	60	2	8
iTraxx Sovx WE	25	1	0	US Libor-OIS Spread (bp)	43	-1	5
iTraxx Sovx CEEMEA	90	10	-18	Euro Libor-OIS Spread (bp)	4	0	-2
					29-Sep	1W chg	1M chg
				AUD/USD	0.769	0.63%	1.61%
				USD/CHF	0.971	-0.20%	0.79%
				EUR/USD	1.122	0.13%	0.30%
				USD/SGD	1.359	-0.21%	0.11%
Korea 5Y CDS	41	1	-3	DJIA	18,339	0.25%	-0.88%
China 5Y CDS	105	2	4	SPX	2,171	0.38%	-0.41%
Malaysia 5Y CDS	120	-3	-1	MSCI Asiax	556	-0.65%	2.79%
Philippines 5Y CDS	114	10	28	HSI	23,620	-0.21%	3.50%
Indonesia 5Y CDS	148	4	3	STI	2,858	0.26%	1.01%
Thailand 5Y CDS	84	0	1	KLCI	1,665	0.38%	-0.99%
				JCI	5,425	1.55%	1.02%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
29-Sep-16	Jababeka International B.V.	"B+/NR/B+"	USD20.617mn	7NC4	6.5%
29-Sep-16	New World Development	"NR/NR/NR"	USD1.2bn	Perp-NC5	5.75%
29-Sep-16	HNA Group International Ltd.	"NR/NR/NR"	USD200mn	5-year	6.25%
29-Sep-16	CK Hutchison	"A-/A3/A-"	USD750mn	5-year	CT5+90bps
29-Sep-16	CK Hutchison	"A-/A3/A-"	USD500mn	10-year	CT10+130bps
28-Sep-16	China Construction Bank HK	"NR/A1/NR"	USD600mn	3-year	CT3+92.5bps
28-Sep-16	Jinan West City	"BBB-/NR/NR"	USD300mn	5-year	CT5+220bps
28-Sep-16	Fantasia Holdings Group Co. Ltd.	"B/B3/NR"	USD400mn	5NC3	7.375%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's also downgraded Hua Han Health Industry Holdings Ltd.'s corporate family rating to "B1" from "Ba3" and placed its rating on review for further downgrade. The rating action follows the suspension in trading of Hua Han's shares and debt securities on the HK Stock Exchange on 27 September, 2016, pending the release of inside information regarding the audit progress of its annual results.

Credit Headlines:

Rickmers Maritime Trust ("RMT"): RMT announced that on 28/09/16, it has received a letter from solicitors acting on behalf of some bondholders. The letter alleged that the holders of more than 25% in principal of the bonds have served a notice of acceleration to the bond's trustees, on the basis that RMT has triggered an event of default. The acceleration would result in the bonds being immediately due and payable. Bloomberg interviewed three of the noteholders, who indicated that they "put in the notice" "to get better terms", and that they didn't "sign up for their equities". (SGX, Bloomberg)

Industry Outlook – China Property: Kunshan (a satellite city in the greater Suzhou region) has announced new policies to deter non-locals from purchasing second homes in the city. Under the new policy, households without a Suzhou *hukou* will need to have paid income tax and social security premiums in Suzhou for more than a year. Earlier in August 2016, the Suzhou authorities came out with similar measures but did not cover Kunshan. In addition to curbing property demand from non-locals, the Kunshan government has also introduced policies to (i) taper land bid prices (ii) discourage hoarding of property units among developers and (iii) establish price growth caps on housing projects. Kunshan is located ~65km away from Shanghai and is connected by high speed rail. As of August 2016, Kunshan saw an increase in property prices of 38% y/y. Money flows into property are likely to divert to lower-tier cities that have yet to introduce cooling measures. (ifeng, OCBC)

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