

September 30, 2016

Credit Headlines (Page 2 onwards): Deutsche Bank AG, Croesus Retail Trust, Ezra Holdings

Market Commentary: The SGD swap curve traded upwards yesterday with swap rates trading 6-9bps higher across all tenors as the US dollar appreciated following the OPEC agreement to cut oil production. Flows in the SGD corporates were heavy with better selling seen in GRCHAR 6%’17s and FCLSP 4.88%’49s. Mixed interests were seen in GENSSP 5.13%’49s, SOCGEN 4.3%’26s, FRESHK 4.25%’19s and FCLSP 5%’49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 204bps while the yield on JACI HY corporates also remained levelled at 6.42%. 10y UST decreased 1bps to 1.56% as on-going negative headlines on Deutsche Bank AG seem to be infusing risk-off sentiments in the markets.

New Issues: Croesus Retail Asset Management Pte. Ltd. has priced a SGD50mn tap of its 5%’20s at 99.5. Kasikornbank PCL (Hong Kong) has priced a USD400mn 5.5-year bond at 2.375% with expected issue ratings of “BBB+/Baa1/BBB+”. Jubilant Pharma Ltd. has priced a USD300mn 5NC3 bond at 4.875%, tightening from its initial guidance at 5.25%. The expected issue ratings are “BB-/NR/BB”. Television Broadcast Ltd. has priced a USD500mn 5-year bond at 3.625%, tightening from its initial guidance at 4.125%. RHB Bank has priced a USD500mn 5-year at CT5+137.5bps, tightening from its initial guidance at CT5+165bps. The expected issue ratings are “BBB+/A3/NR”. China CITIC Bank International Ltd. has priced a USD500mn AT1 perpetual, non-callable for 5-year at 4.25%, tightening from its initial guidance at 4.625%. The expected issue ratings are “NR/Ba2/NR”.

Rating Changes: Fitch downgraded A&T Electronics Ltd. (GATE) issuer default ratings to “CCC” from “B-“. The downgrade reflects Fitch’s expectation of GATE’s continued Free Cash Flow deficit and the ensuing liquidity stress and refinancing risk as its 2019 bond maturity draws near. Fitch also expects GATE’s liquidity will deteriorate further in the absence of a meaningful recovery in EBITDA or a successful sale of non-core assets.

Table 1: Key Financial Indicators

| | 30-Sep | 1W chg (bps) | 1M chg (bps) | | 30-Sep | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG | 119 | 1 | 5 | Brent Crude Spot (\$/bbl) | 49.16 | 7.13% | 4.51% |
| iTraxx Sovx APAC | 33 | 2 | -6 | Gold Spot (\$/oz) | 1,323.44 | -1.06% | 1.11% |
| iTraxx Japan | 55 | -2 | 3 | CRB | 185.83 | -0.27% | 3.12% |
| iTraxx Australia | 105 | 2 | 4 | GSCI | 363.33 | 1.24% | 4.34% |
| CDX NA IG | 78 | 1 | 5 | VIX | 14.02 | 16.64% | 4.47% |
| CDX NA HY | 104 | -1 | -1 | CT10 (bp) | 1.546% | -7.22 | -2.01 |
| iTraxx Eur Main | 73 | 2 | 5 | USD Swap Spread 10Y (bp) | -14 | 2 | -1 |
| iTraxx Eur XO | 332 | 7 | 21 | USD Swap Spread 30Y (bp) | -54 | 1 | -1 |
| iTraxx Eur Snr Fin | 102 | 5 | 12 | TED Spread (bp) | 56 | -10 | 4 |
| iTraxx Sovx WE | 24 | 1 | 0 | US Libor-OIS Spread (bp) | 41 | -2 | 3 |
| iTraxx Sovx CEEMEA | 91 | 5 | -19 | Euro Libor-OIS Spread (bp) | 5 | 1 | -1 |
| | | | | | | | |
| | | | | | 30-Sep | 1W chg | 1M chg |
| | | | | AUD/USD | 0.762 | 0.01% | 1.42% |
| | | | | USD/CHF | 0.966 | 0.42% | 1.82% |
| | | | | EUR/USD | 1.122 | -0.09% | 0.52% |
| | | | | USD/SGD | 1.366 | -0.49% | -0.25% |
| | | | | | | | |
| Korea 5Y CDS | 42 | 2 | -2 | DJIA | 18,143 | -1.35% | -1.40% |
| China 5Y CDS | 105 | 0 | 4 | SPX | 2,151 | -1.20% | -0.91% |
| Malaysia 5Y CDS | 121 | -4 | 0 | MSCI Asiax | 557 | -0.29% | 2.61% |
| Philippines 5Y CDS | 117 | 11 | 29 | HSI | 23,739 | -0.09% | 3.32% |
| Indonesia 5Y CDS | 153 | 5 | 5 | STI | 2,886 | 1.39% | 2.31% |
| Thailand 5Y CDS | 85 | -- | 2 | KLCI | 1,670 | 0.00% | -0.50% |
| | | | | JCI | 5,432 | 0.96% | 0.85% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|-----------|-------------------------------------|------------------|-------------|----------|--------------|
| 29-Sep-16 | Croesus Retail Asset Management | “NR/NR/NR” | SGD50mn | 4-year | 5% |
| 29-Sep-16 | Kasikornbank PCL (Hong Kong) | “BBB+/Baa1/BBB+” | USD400mn | 5.5-year | 2.375% |
| 29-Sep-16 | Jubilant Pharma Ltd. | “BB-/NR/BB” | USD300mn | 5NC3 | 4.875% |
| 29-Sep-16 | Television Broadcast Ltd. | “NR/NR/NR” | USD500mn | 5-year | 3.625% |
| 29-Sep-16 | RHB Bank | “BBB+/A3/NR” | USD500mn | 5-year | CT5+137.5bps |
| 29-Sep-16 | China CITIC Bank International Ltd. | “NR/Ba2/NR” | USD500mn | Perp-NC5 | 4.25% |
| 28-Sep-16 | Jababeka International B.V. | “B+/NR/B+” | USD20.617mn | 7NC4 | 6.5% |
| 28-Sep-16 | New World Development | “NR/NR/NR” | USD1.2bn | Perp-NC5 | 5.75% |

Source: OCBC, Bloomberg

Credit Headlines:

Deutsche Bank AG (“Deutsche Bank”): Ongoing negative news on Deutsche Bank’s health continue to influence markets although unlike February 2016 when concerns on Deutsche Bank first surfaced, the market impact at the moment appears somewhat more localized. Much depends on multiple and connected factors at play that make the eventual outcome still somewhat uncertain. That said, the longer the uncertainty persists, the more likely that confidence will be eroded and short term impacts on technicals evolve into longer term impacts on fundamentals. This in turn could transform a localized impact to a systemic one. For further details, please see our report “Deutsche Bank - Status Update” published 29 Sept 2016. OCBC does not currently cover Deutsche Bank AG (OCBC)

Croesus Retail Trust (“CRT”): CRT priced a SGD50m tap of its 5% 2020s at 99.5. Most of the proceeds are expected to be used for refinancing its SGD Jan 2017 bond. While CRT’s gearing as of end June 2016 is 45.3%, which is above most S-REITs, CRT offers a defensive portfolio of 11 Japan suburban retail properties. These are anchored by long leases, with fixed rent comprising 87.8% of the portfolio gross rental income. We also like that CRT will be making substantial cost savings (Trustee Manager fees account for c.12% of NPI in FY2016) via the internalisation of the Trustee-Manager (completed on 31 Aug 2016). OCBC does not currently cover CRT. (Company, OCBC)

Ezra Holdings (“EZRA”): EZRA has announced that the further divestment of EMAS Chiyoda Subsea has been completed, with Nippon Yusen Kabushiki Kaisha (“NYK”) acquiring 10ppt of the JV from EZRA (and 15ppt from Chiyoda). Going forward, EMAS Chiyoda Subsea will be 40% owned by EZRA, 35% owned by Chiyoda and 25% owned by NYK. As a reminder, EZRA will be receiving USD36mn in cash from NYK for the stake, which would be captured in 1QFY2017 results (ending November 2016). NYK is one of the world’s largest shipping lines, generating USD19bn in annual revenue. It is worth noting that both NYK and CHIYODA are part of the Mitsubishi conglomerate. EZRA believes that the transaction would help improve the JV’s scale, broaden the JV’s network of clients, partners and vendors as well as strengthen the financial position of the JV. We currently hold EZRA at Negative Issuer Profile, and will await for its full-year FY2016 results (ending August) to be released around the end of October 2016. (Company, OCBC)

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