

December 9, 2016

Credit Headlines (Page 2 onwards): Hotel Properties Ltd., Ezra Holdings Ltd., Rickmers Maritime Trust, Industry Outlook – Financial Institutions

Market Commentary: The SGD swap curve traded upwards lightly as swap rates increased 1-2bps higher across tenors ahead of the European Central Bank's (ECB) meeting. Flows in the SGD corporates were relatively muted. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 200bps while the yield on JACI HY corporates decreased 1bps to 6.88%. 10y UST yield increased 7bps to 2.41% following the ECB's meeting as it extended their asset purchase program until December 2017, but at a slower pace from April onwards.

New Issues: Changde Urban Construction & Investment Group Co. Ltd. has priced a USD250mn 3-year bond at CT3+280bps, tightening from its initial guidance at CT3+290bps. The expected issue ratings are "NR/NR/BBB-". China Grand Automotive Services Co. has priced a USD300mn perpetual, non-callable for 3 years at 9%. The expected issue ratings are "NR/NR/B+". Tewoo Group Finance No 2 Ltd. has priced a USD300mn 3-year bond at CT3+360bps with expected issue ratings of "NR/NR/BBB-".

Rating Changes: S&P assigned AIG Insurance Company China Ltd. (AIG China) counterparty and financial strength ratings of "A" with a stable outlook. The rating reflects S&P's view that AIG China is highly strategic to US-based American International Group's (Rated A+/Stable) core operating subsidiaries and therefore are one notch below the group credit profile. Moody's assigned a first time corporate family rating of "Ba1" to Guangxi Financial Investment Group Co. Ltd. with a stable outlook. The rating combines its baseline assessment (BCA) of "ba3", and a two-notch uplift based on Moody's expectation of strong support for the company from the Guangxi Provincial government.

Table 1: Key Financial Indicators

	9-Dec	1W chg (bps)	1M chg (bps)		9-Dec	1W chg	1M chg
iTraxx Asiax IG	119	-7	--	Brent Crude Spot (\$/bbl)	53.89	-0.09%	17.05%
iTraxx SovX APAC	36	-5	-1	Gold Spot (\$/oz)	1,168.05	-0.80%	-8.60%
iTraxx Japan	53	-3	-6	CRB	191.41	0.00%	4.03%
iTraxx Australia	103	-6	-3	GSCI	387.01	0.58%	8.54%
CDX NA IG	69	-4	-6	VIX	12.64	-10.16%	-12.10%
CDX NA HY	106	1	2	CT10 (bp)	2.416%	3.30	35.90
iTraxx Eur Main	74	-4	1	USD Swap Spread 10Y (bp)	-14	2	-1
iTraxx Eur XO	316	-19	-12	USD Swap Spread 30Y (bp)	-53	2	3
iTraxx Eur Snr Fin	97	-8	0	TED Spread (bp)	46	1	-3
iTraxx Sovx WE	23	0	3	US Libor-OIS Spread (bp)	31	-2	-5
iTraxx Sovx CEEMEA	91	-8	1	Euro Libor-OIS Spread (bp)	3	0	0
					9-Dec	1W chg	1M chg
				AUD/USD	0.745	-0.05%	-2.38%
				USD/CHF	1.016	-0.51%	-3.13%
				EUR/USD	1.062	-0.46%	-2.70%
				USD/SGD	1.424	-0.32%	-1.76%
Korea 5Y CDS	43	-5	-4	DJIA	19,615	2.20%	5.51%
China 5Y CDS	112	-5	3	SPX	2,246	2.52%	3.83%
Malaysia 5Y CDS	138	-22	10	MSCI Asiax	534	2.27%	0.88%
Philippines 5Y CDS	110	-9	-6	HSI	22,862	-0.07%	1.99%
Indonesia 5Y CDS	156	-18	-4	STI	2,959	1.03%	6.06%
Thailand 5Y CDS	84	-6	-10	KLCI	1,644	1.06%	-0.23%
				JCI	5,304	2.02%	-2.04%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
8-Dec-16	Changde Urban Construction & Inv.	"NR/NR/BBB-"	USD250mn	3-year	CT3+280bps
8-Dec-16	China Grand Automotive Services	"NR/NR/B+"	USD300mn	Perp-NC3	9%
8-Dec-16	Tewoo Group Finance No. 2 Ltd.	"NR/NR/BBB-"	USD300mn	3-year	CT3+360bps
7-Dec-16	China Minsheng Banking Corp.	"NR/NR/NR"	USD1.439bn	Perp-NC5	4.95%
7-Dec-16	Country Garden	"NR/Ba1/BB+"	USD350mn	10Put5	5.625%
6-Dec-16	Yunnan Energy Investment (HK) Co	"NR/NR/BBB"	USD310mn	3-year	CT3+245bps
6-Dec-16	Yunnan Energy Investment (HK) Co	"NR/NR/BBB"	USD130mn	5-year	CT5+265bps
6-Dec-16	Olam International Ltd	"NR/NR/NR"	USD175mn	5-year	CT5+199bps
5-Dec-16	Zhenjiang Transportation Industry	"BB/NR/NR"	USD160mn	3-year	5.5%

Source: OCBC, Bloomberg

Rating Changes (cont'd):

Moody's downgraded Beijing Automotive Group Co. Ltd.'s issuer rating to "Baa1" from "A3" with a negative outlook. The downgrade reflects Moody's expectation that the group's financial leverage will remain elevated over the next 12-18 months, given its high leverage in 2015 and the slower-than-expected deleveraging despite its robust sales performance. Fitch revised its outlook on Caterpillar Inc.'s (CAT) issuer default rating of "A" to negative from stable. The revision reflects the impact of the extended downturn in CAT's machinery markets and an increased risk that the company could face challenges to rebuild its operating and financial performance to levels that support the current ratings.

Credit Headlines:

Hotel Properties Ltd. ("HPL"): Through Kata Boathouse Holdings Pte Ltd (HPL's subsidiary), and Boathouse Holdings Co Ltd (49%-owned associate), HPL acquired a 73.99% effective stake in Boathouse Kata Co Ltd. Boathouse Kata Co Ltd owns a 38 keys boutique resort at Kata Beach, Phuket, Thailand and has a market value of THB605mn. We estimate that the acquisition requires HPL to commit c.SGD23.9mn in cash. This acquisition is manageable given SGD109.9mn cash on hand and a net gearing ratio of 0.47x as of 3QFY16. We see this transaction as credit neutral given its small size in comparison to the SGD3.1bn total assets. (Company, OCBC)

Ezra Holdings Ltd. ("EZRA"): EZRA's subsidiary EMAS Offshore ("EMAS") announced that despite efforts made by EMAS and Perisai Petroluem Teknologi ("PPT") over the put option for 51% of SJR Marine (L) Ltd to EMAS for USD43.0mn, various issues remained unresolved. As such, EMAS issued a notification of termination of the Share Sale Agreement ("SSA") dated 30/11/12 regarding the put option, due to certain breaches of the SSA by PPT. Upon the termination of the SSA, the put option will be extinguished. A notification of termination of the Shareholders' Agreement ("SHA") dated 26/12/13 has been sent as well due to certain breaches of the SHA by PPT. Pursuant to the terms of the SHA and upon termination of the SHA, PPT is required to sell its 51% stake in SJR Marine (L) Ltd to EMAS. EMAS will be acquiring this stake at a price of USD1, with the completion taking place on the 30th day from the receipt of the Termination Notice. We consider this a credit positive for EZRA, as 1) the impact of PPT's default has at least been resolved at the SJR Marine (L) Ltd JV level 2) USD43.0mn in liquidity has been preserved. (Company, OCBC)

Rickmers Maritime Trust ("RMT"): RMT has given notice for the Adjourned Meeting for its on-going consent solicitation exercise ("CSE"). The previous meeting failed to meet the required quorum of 75% of notional bonds outstanding. As per the trust deed the quorum required for the Adjourned Meeting is no less than 25% of notional bonds outstanding. The meeting will be held on 21/12/16, while voting instructions are to be submitted by 19/12/16. RMT is currently in default for missing the bond coupon payment due on 15/11/16. The terms and conditions of the CSE looked to be largely the same as the terms floated at the first meeting, but include a waiver for defaulting on the coupon missed. OCBC credit research does not currently cover RMT. (Company)

Credit Headlines:

Industry Outlook - Financial Institutions: Fitch Ratings has revised its sector outlook for Australian Banks to negative from stable. The key risk to bank credit quality in the agency's view is weak profit growth arising from rising sector risks related to a slower property sector in 2017 and high household debt. That said, the Australian bank's individual ratings remain on stable outlook. This view is more or less in line with the other ratings agencies although both Moody's and Standard & Poor's have their respective ratings on major Australian banks on negative outlook. For S&P, the negative outlook on major Australian banks is related to the negative outlook on Australia's "AAA" sovereign credit rating and S&P's view that the banks' ratings benefit from government support such that a downgrade of the long-term local currency sovereign credit rating on Australia would lead S&P to downgrade the banks. In Moody's case, the negative outlook on Australia's banks more reflects Australia's macro environment which has a strong influence on banks' prospective asset quality and profitability given Australia contributes anywhere from ~65%-85% of income for Australia's big banks. In all, while underlying fundamentals remain sound from solid capital ratios and market positions, the strong influence of rising risks in the external environment is driving a negative bias in credit quality for Australian Banks. It is worth noting that a rating outlook generally represents a one in three chance of a rating change, so a rating action is not necessarily cast in stone. Rather, the negative outlooks are based on an expectation of potential credit deterioration rather than the actual event. We currently have Neutral issuer profiles on the Australian banks under our coverage (Bloomberg, OCBC)

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Co.Reg.no.:193200032W