

Jul 10, 2017

**Credit Headlines (Page 2 onwards):** CMA CGM S.A., Ezra Holdings Ltd

**Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 4-7bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in OLAMSP 5.5%-PERPs, HSBC 4.7%-PERPs, and mixed interest seen in LMRTSP 6.6%-PERPs. In the broader dollar space, the spread on JACI IG Corporates changed little at 185bps, while the yield on JACI HY Corporates rose 2bps to 6.88%. 10y UST yields rose 2bps to 2.39%, as the US jobs report provided little directional catalysts.

**New Issues:** Geo Energy Resources Ltd has scheduled investor meetings for potential USD bond issuance from 10 Jul. New Lion Bridge Co has scheduled investor meetings for potential USD bond issuance (guaranteed by Lionbridge Capital Co) from 10 Jul. Jiuding Group Finance Co Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Tongchuangjiuding Investment Management Group Co Ltd) from 10 Jul. The expected issue ratings are 'BB/NR/NR'.

**Rating Changes:** S&P has affirmed Nippon Steel & Sumitomo Metal Corp's (NSSMC) long-term corporate credit and senior unsecured ratings at 'BBB', while revising its outlook to stable from negative. The rating action reflects S&P's belief that NSSMC's profitability and major financial ratios will improve and remain commensurate with the rating as S&P expects some stability to return to the environment for the steel business. S&P has assigned Tongchuangjiuding Investment Management Group Co Ltd (Tongchuangjiuding) a long-term local issuer currency rating of 'BB' and a short-term local currency rating of 'B'. The outlook is stable. The rating action reflects the group's changing business profile and substantial debt at the holding company and other nonregulated businesses following the debt-financed acquisition of Hong Kong-based FTLife Insurance Co Ltd in 2016.

**Table 1: Key Financial Indicators**

	10-Jul	1W chg (bps)	1M chg (bps)		10-Jul	1W chg	1M chg
iTraxx Asiax IG	90	3	5	Brent Crude Spot (\$/bbl)	47.12	-5.15%	-2.14%
iTraxx SovX APAC	23	2	5	Gold Spot (\$/oz)	1,211.99	-0.67%	-4.28%
iTraxx Japan	42	2	1	CRB	172.56	0.39%	-2.38%
iTraxx Australia	86	3	2	GSCI	365.51	-1.84%	-1.16%
CDX NA IG	62	2	2	VIX	11.19	-2.19%	4.58%
CDX NA HY	107	0	-1	CT10 (bp)	2.389%	3.92	18.86
iTraxx Eur Main	57	2	-1	USD Swap Spread 10Y (bp)	-4	-1	2
iTraxx Eur XO	258	13	18	USD Swap Spread 30Y (bp)	-32	-3	12
iTraxx Eur Snr Fin	55	3	-9	TED Spread (bp)	28	-1	3
iTraxx Sovx WE	6	0	-1	US Libor-OIS Spread (bp)	14	0	4
iTraxx Sovx CEEMEA	60	5	13	Euro Libor-OIS Spread (bp)	3	0	-1
					10-Jul	1W chg	1M chg
				AUD/USD	0.761	-0.63%	0.95%
				USD/CHF	0.964	-0.03%	0.51%
				EUR/USD	1.141	0.36%	1.80%
				USD/SGD	1.382	0.04%	0.15%
Korea 5Y CDS	62	9	10	DJIA	21,414	0.60%	0.67%
China 5Y CDS	72	3	3	SPX	2,425	0.23%	-0.27%
Malaysia 5Y CDS	89	4	-1	MSCI Asiax	620	-1.03%	-1.48%
Philippines 5Y CDS	80	4	4	HSI	25,576	-0.81%	-1.74%
Indonesia 5Y CDS	124	7	7	STI	3,242	0.59%	-0.36%
Thailand 5Y CDS	65	4	10	KLCI	1,758	-0.61%	-1.73%
				JCI	5,815	-1.61%	2.45%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
6-Jul-17	Sumitomo Mitsui Financial Group	'NR/A1/NR'	USD2bn	5-year	CT5+85bps
6-Jul-17	Sumitomo Mitsui Financial Group	'NR/A1/NR'	USD500mn	5-year	3mL+78bps
6-Jul-17	Sumitomo Mitsui Financial Group	'NR/A1/NR'	USD1.75bn	10-year	CT10+100bps
6-Jul-17	Longfor Properties Co Ltd	'NR/NR/BBB-'	USD450mn	5-year	CT5+205bps
6-Jul-17	Commonwealth Bank of Australia	Not Rated	USD1.5bn	30-year	CT30+103bps
5-Jul-17	Hindustan Petroleum Corp Ltd	'NR/Baa3/BBB-'	USD500mn	10-year	CT10+167.5bps
5-Jul-17	Shanghai Pudong Development Bank Co Ltd, Hong Kong branch	'BBB/NR/NR'	USD400mn	3-year	3mL+85bps
5-Jul-17	Shanghai Pudong Development Bank Co Ltd, Hong Kong branch	'BBB/NR/NR'	USD350mn	5-year	3mL+95bps

Source: OCBC, Bloomberg

**Rating Changes (Cont'd):** S&P has assigned Geo Energy Resources Limited (Geo Energy) a 'B' long-term corporate credit rating and 'B' long-term issue rating on the proposed senior unsecured notes to be issued by Geo Coal International Pte. Ltd. and unconditionally guaranteed by Geo Energy. The ratings are based on the company's narrow business profile and hence potentially volatile cash flows, short record of operations, and execution risk on its new projects. The outlook is stable. Moody's has also assigned Geo Energy a corporate family rating of 'B2' and a proposed senior unsecured guaranteed notes rating of 'B2'. The outlook on the ratings is stable. The rating action reflects Geo Energy's relatively short track-record of operating as a pure-play coal producer, the small scale of its business, its high degree of operational concentration and the need to continue making acquisitions in order to grow the business. However, Moody did take into account Geo Energy's decision to contract Bukit Makmur Mandiri Utama (P.T.) (BUMA) as its mining service contractor, which significantly reduces Geo Energy's capex and working capital requirements. Moody's has placed Honda Motor Co Ltd's (Honda) 'A1' issuer rating and senior unsecured ratings on review for a downgrade. The rating action reflects Moody's expectation that Honda has manageable exposure to Takata but its margins will receive pressure from a higher cost base from previous expansion of production capacity and an increase in R&D costs. Moody's has assigned SoftBank Group Corp's (SoftBank) proposed undated subordinated NC6 resettable notes and undated subordinated NC10 resettable notes a subordinated debt rating of 'Ba3'. The rating action reflects the speculative-grade level of SoftBank's corporate family rating ('Ba1') and the characteristics of the notes. Fitch has affirmed Asahi Mutual Life Insurance Co's (Asahi Life) Insurer Financial Strength (IFS) Rating and Issuer Default Rating (IDR) at 'BB+' and 'BB' respectively, and revised its outlook to positive from stable. The rating action reflects the improvement in Asahi Life's capitalization and leverage, as well as its resilient financial performance and earnings backed by steady growth in the profitable third (health) sector.

## Credit Headlines:

**CMA CGM S.A. (acquired Neptune Orient Lines, "NOL"):** As mentioned previously (see [OCBC Asian Credit Daily – 22 Jun 2017](#)) it was reported that Cosco Group (#4 container liner) was in advanced talks to acquire Orient Overseas Container Liner ("OOCL", #7 container liner). It was announced on 08/07/17 that Cosco Group made an offer of HKD78.67 per share to acquire OOCL. The Tung family, who controls 69% of OOCL, has agreed to accept the offer. The combined entity would become the 3<sup>rd</sup> largest container liner with 2.4mn TEU, outpacing CMA CGM's 2.3mn TEU. As mentioned previously, the transaction could have a positive impact on CMA CGM as all three liners are part of the new OCEAN Alliance (Cosco, OOCL, Evergreen and CMA CGM). In a separate news, CMA CGM priced its new EUR issue last week. EUR650mn was raised (compared to EUR500mn tentative amount), with CMA CGM paying 6.5% for 5NC2 bond. Comparatively, the 5-year bond (maturing 15/12/18, callable at par on 15/12/17) targeted to be refinanced pays 8.75%. (Company, OCBC)

**Ezra Holdings Ltd ("EZRA"):** It was announced that EZRA had filed for an extension to the exclusivity period for its Chapter 11 restructuring. Debtors have 120 days exclusivity period to submit a restructuring proposal, and a further 60 days to solicit votes for the proposal. Based on this timeline, EZRA's exclusivity period would have expired on 16/07/17, while exclusive solicitation period would expire on 14/09/17. EZRA is seeking to extend both by 120 days, specifically to 13/11/17 for the exclusive proposal filing period, and 12/01/18 for the exclusive solicitation period. The court hearing regarding the extension filing will be heard on 31/07/17. (Company)

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Co.Reg.no.:193200032W