

February 21, 2017

**Credit Headlines:** Ezra Holdings Ltd., United Overseas Bank Ltd.

**Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates rising around 2bps across all tenors. Flows in the SGD corporates were relatively quiet. The U.S market was closed yesterday due to public holiday.

**New Issues:** United Photovoltaics Group priced a USD100mn re-tap of its GDPOLY 8.25%'20s at 101.93 against initial guidance of 101.25. The issue is expected to be rated 'B+/B1/NR'. FCL Treasury Pte. Ltd. priced a SGD50mn re-tap (guaranteed by Frasers Centerpoint Limited) of the existing FCLSP 4.15%'27s at 4.15% last Friday. United Overseas Bank Ltd (UOB) has set final guidance for its SGD Tier 2 12NC7 bond at 3.5%, tighter than initial guidance of 3.75%. The issue is expected to be rated 'NR/A3/A+'. UOB has also mandated banks for Euro denominated 5-year and/or USD denominated 3-year Covered Bonds with expected issue ratings of 'AAA/Aaa/NR'.

## Rating Changes:

Moody's assigned Vipshop Holdings Limited (Vipshop) a 'Baa1' issuer rating, with stable outlook. The rating action reflects Vipshop's fast-growing operations and dominant position in China's underserved discount retail market, on top of its consignment business model with last mile delivery capabilities which results in minimal inventory risks and a high degree of customer stickiness. In addition, S&P assigned a 'BBB' corporate credit rating to Vipshop, with a stable outlook, while Fitch assigned a 'BBB+' foreign currency issuer default rating (IDR), with stable outlook.

**Table 1: Key Financial Indicators**

	21-Feb	1W chg (bps)	1M chg (bps)		21-Feb	1W chg	1M chg
iTraxx Asiax IG	102	2	-13	Brent Crude Spot (\$/bbl)	56.23	0.46%	1.33%
iTraxx SovX APAC	27	0	-7	Gold Spot (\$/oz)	1,234.73	0.54%	1.35%
iTraxx Japan	54	-1	-2	CRB	192.12	-0.99%	-0.98%
iTraxx Australia	88	1	-9	GSCI	403.03	-1.18%	0.90%
CDX NA IG	64	1	-3	VIX	11.49	5.90%	-0.43%
CDX NA HY	107	0	1	CT10 (bp)	2.442%	-2.83	-2.53
iTraxx Eur Main	74	1	3	USD Swap Spread 10Y (bp)	-4	3	6
iTraxx Eur XO	297	3	4	USD Swap Spread 30Y (bp)	-38	3	5
iTraxx Eur Snr Fin	93	0	5	TED Spread (bp)	54	4	5
iTraxx Sovx WE	23	-1	4	US Libor-OIS Spread (bp)	33	0	-3
iTraxx Sovx CEEMEA	69	3	-10	Euro Libor-OIS Spread (bp)	2	0	0
					21-Feb	1W chg	1M chg
				AUD/USD	0.767	0.13%	1.17%
				USD/CHF	1.006	0.06%	-0.90%
				EUR/USD	1.059	0.07%	-1.67%
				USD/SGD	1.421	-0.01%	-0.24%
Korea 5Y CDS	47	2	0	DJIA	20,624	1.75%	4.02%
China 5Y CDS	99	1	-13	SPX	2,351	1.51%	3.52%
Malaysia 5Y CDS	115	1	-15	MSCI Asiax	564	0.77%	5.25%
Philippines 5Y CDS	88	2	-11	HSI	24,155	1.91%	5.54%
Indonesia 5Y CDS	135	3	-15	STI	3,091	0.59%	2.64%
Thailand 5Y CDS	64	-1	-10	KLCI	1,713	0.25%	2.90%
				JCI	5,368	-0.78%	2.16%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Feb-17	UOB Group Ltd.	"NR/A3/A+"	SGD750mn	12NC7	3.50%
20-Feb-17	United Photovoltaics Group (re-tap)	Not Rated	USD100mn	3-year	101.93
17-Feb-17	FCL Treasury Pte. Ltd (re-tap)	Not Rated	SGD50mn	10-year	4.15%
16-Feb-17	FCL Treasury Pte. Ltd.	Not Rated	SGD348mn	10-year	4.15%
15-Feb-17	Mitsubishi UFJ Financial Group Inc. (MUFG)	"NR/A1/A"	USD500mn	5-year	CT5+100bps
15-Feb-17	Mitsubishi UFJ Financial Group Inc. (MUFG)	"NR/A1/A"	USD500mn	5-year	3mL+92bps
15-Feb-17	Mitsubishi UFJ Financial Group Inc. (MUFG)	"NR/A1/A"	USD1bn	10-year	CT10+118bps
15-Feb-17	Qinghai Provincial Investment Group Co Ltd	"BB-/NR/NR"	USD300mn	3-year	7.25%

Source: OCBC, Bloomberg

## Credit Headlines:

**Ezra Holdings Ltd (“EZRA”):** Previously, it was reported that EZRA had received a statutory demand from Forland Subsea AS (“Forland”), for a sum totalling ~SGD4.4mn over charter payments for the vessel LEWEK INSPECTOR. The vessel was chartered by the EMAS Chiyoda subsea JV (“EMAS AMC”), with EZRA being the corporate guarantor for the charter. Forland has announced that it has entered into a time charter party with a major international contractor for the LEWEK INSPECTOR. In connection with the above, Forland and EMAS AMC have entered into a standstill agreement for the duration of the short-term charter. Forland has also reiterated that it has called for payment under the corporate guarantee that EZRA provided to EMAS AMC, but no payment has been made to date. In response to the non-payment Forland had served a Statutory Demand against EZRA (on 06/02/17) and if payment under the guarantee continues to be outstanding following the expiry of a three weeks' notice period, Forland may initiate winding-up procedures before the Singapore courts. (OCBC, Oslo Bors)

**United Overseas Bank Ltd. (“UOB”):** UOB's SGD750mn Tier 2 12NC7 bond (UOBSP 3.5%'29s) were sold mostly to private banks (40%) followed by insurers (37%) and fund managers (3%) with order books over 2x from almost entirely Asian investors. At a spread of 108bps above swaps, we see the deal is relatively tight compared to its existing curve and similarly rated issues in the Tier 2 space from Australian Banks. Recent Singapore bank earnings (refer OCBC Asian Credit Daily – 16 & 17 Feb 2017) have highlighted ongoing loan quality issues which have necessitated a material rise in specific provisions in FY2016. Of note however was the fall in overall provisions for UOB with higher specific provisions funded from a release in the general allowance. This is likely due to the better loan quality trends with non-performing loans (NPLs) falling 4.8% q/q in 4Q2016 (in comparison, NPLs at DBS Group Holdings grew 13.8% q/q in 4Q2016). Conversely, the trading results for National Australia Bank Ltd (OCBC Asian Credit Daily - 6 Feb 2017) and Australia and New Zealand Banking Group Ltd (OCBC Asian Credit Daily - 17 Feb 2017) for 1QFY2017 (ended 31 Dec 2016) showed resilient earnings, declining bad and doubtful debt charges and sustained performance in Australia's housing sector, a key support for recent performance. In light of this, we think the Aussie T2 papers offer better relative value despite the recent run up in the cash price. We still see the ANZ'27c22 offering slightly better value in the Aussie T2 space given potential fundamental upside from restructurings and given relative tenors and spreads against the NAB'28c23 and WSTP'27c22. (OCBC, Company, Bloomberg)

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Ezien Hoo, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2533  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

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