

April 7, 2017

**Credit Headlines (Page 2 onwards):** Sabana Shari'ah Compliant REIT, CWT Ltd, Oxley Holdings Ltd, Ezra Holdings Ltd, Sembcorp Industries ("SCI") / Sembcorp Marine ("SMM")

**Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 1-2bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in BNP 3.65%'24s, and mixed interest in GUOLSP 3.62%'21s, FCLSP 4.15%'27s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 197bps while the yield on JACI HY changed little at 6.57%. 10y UST yields inched upwards by 1bps to 2.34% yesterday, as markets digest the minutes of the U.S Federal Open Market Committee's March meeting and await March U.S payrolls data, which will be released today.

**New Issues:** Yancoal International Resources Development Co. priced a USD500mn Perp NC3 at 5.75%, tightening from initial guidance of 6.25%. The expected issue ratings are 'B+/NR/NR'. Modernland Overseas Pte. Ltd. priced a USD240mn 7NC4 bond (guaranteed by PT Modernland Realty Tbk) at 6.95%, tightening from initial guidance of 7.125%. The expected issue ratings are 'B/B2/B'. RH International Finance Ltd. set final guidance for its USD Perp NC5 bond (guaranteed by Regal Hotels International Holdings Ltd.) at 6.5-6.625%. Oxley Holdings Ltd. announced that notes offering may follow its upcoming investor meeting. Oxley Holdings Ltd. has mandated banks for investor meetings, which will commence in 10 April. Shanhai (Hong Kong) International Investments Ltd. scheduled investor roadshows from 6 April for potential USD bond issuance (guaranteed by Lianyungang Port Group Co. Ltd.). The expected issue ratings are 'BBB/NR/NR'. China Oil & Gas Group Ltd scheduled investor roadshow from 6 April for potential USD bond issuance. The expected issue ratings are 'BB/Ba2/NR'. China Fortune Land Development Co. Ltd. is undergoing plans to sell up to USD1bn of offshore bonds. Bank of China is planning for multi-currency bond issuance. Suncorp-Metway Ltd mandated banks for investor roadshows, which will commence in the week of 17 April.

**Table 1: Key Financial Indicators**

	7-Apr	1W chg (bps)	1M chg (bps)		7-Apr	1W chg	1M chg
iTraxx Asiax IG	96	1	2	Brent Crude Spot (\$/bbl)	55.78	5.58%	-0.25%
iTraxx SovX APAC	21	0	-6	Gold Spot (\$/oz)	1,266.44	1.38%	4.16%
iTraxx Japan	44	1	-7	CRB	186.78	0.68%	-0.66%
iTraxx Australia	84	0	0	GSCI	392.84	1.19%	-1.16%
CDX NA IG	65	-1	3	VIX	12.39	7.37%	8.21%
CDX NA HY	107	0	0	CT10 (bp)	2.305%	-8.23	-21.28
iTraxx Eur Main	75	1	4	USD Swap Spread 10Y (bp)	-2	-2	3
iTraxx Eur XO	287	-4	7	USD Swap Spread 30Y (bp)	-40	-3	2
iTraxx Eur Snr Fin	89	0	1	TED Spread (bp)	35	-3	-5
iTraxx Sovx WE	13	0	-6	US Libor-OIS Spread (bp)	20	-2	-4
iTraxx Sovx CEEMEA	51	-2	-13	Euro Libor-OIS Spread (bp)	2	1	0
					<b>7-Apr</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.752	-1.39%	-0.86%
				USD/CHF	1.004	-0.18%	0.89%
				EUR/USD	1.065	-0.05%	0.77%
				USD/SGD	1.403	-0.41%	0.61%
Korea 5Y CDS	50	0	4	DJIA	20,663	-0.32%	-1.25%
China 5Y CDS	82	0	-6	SPX	2,357	-0.45%	-0.46%
Malaysia 5Y CDS	109	2	2	MSCI Asiax	585	0.52%	3.72%
Philippines 5Y CDS	83	1	-1	HSI	24,018	-1.16%	1.42%
Indonesia 5Y CDS	131	3	4	STI	3,146	-0.91%	0.51%
Thailand 5Y CDS	49	-3	-6	KLCI	1,738	-0.10%	0.56%
				JCI	5,661	1.67%	4.79%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
6-Apr-17	Yancoal International Resources Development Co.	"B+/NR/NR"	USD500mn	Perp NC3	5.75%
6-Apr-17	Modernland Overseas Pte. Ltd.	"B/B2/B"	USD240bn	7NC4	6.95%
5-Apr-17	Jingrui Holdings Ltd.	"NR/Caa1/NR"	USD400mn	3-year	8%
5-Apr-17	Sinopec Group Overseas Development	"NR/Aa3/NR"	USD1bn	3-year	CT3+98bps
5-Apr-17	Sinopec Group Overseas Development	"NR/Aa3/NR"	USD1.1bn	5-year	CT5+113bps
5-Apr-17	Sinopec Group Overseas Development	"NR/Aa3/NR"	USD1bn	10-year	CT10+133bps
5-Apr-17	Sinopec Group Overseas Development	"NR/Aa3/NR"	USD300mn	30-year	4.25%
5-Apr-17	Korea South-East Power Co.	"AA/Aa2/NR"	USD300mn	3-year	CT3+97.5bps
5-Apr-17	JSW Steel Ltd.	"NR/Baa3/BBB"	USD500mn	5-year	5.25%

Source: OCBC, Bloomberg

**Rating Changes:** S&P assigned Lianyungang Port Group Co. Ltd.(LYGP) a 'BBB-' corporate credit rating and a 'BBB-' issue rating to the proposed senior unsecured notes that LYGP will guarantee. The ratings on LYGP and its proposed guaranteed bonds have also been placed on CreditWatch with developing implications. The rating action reflects the company's moderate market position, strategic location, good connectivity, satisfactory operating efficiency, and strong policy support. S&P downgraded Jiangsu New Headline Development Group Co. Ltd.'s (NHL) corporate credit rating to 'BB' from 'BB+'. The rating outlook is stable. At the same time, S&P downgraded HK Zhiyuan Group Ltd. (Zhiyuan) corporate credit rating to 'BB-' from 'BB'. NHL is a construction services provider and one of the largest financing and investment companies of the Lianyungang municipal government while Zhiyuan is a fully owned subsidiary of NHL. The rating action reflects S&P's expectation that Lianyungang municipal government's weakened credit quality will continue to constrain these companies' credit profiles over the next two years. Fitch also affirmed NHL's foreign- and local currency Issuer Default Ratings (IDRs) at 'BB+' with a Stable Outlook. S&P affirmed Shanghai Rural Commercial Bank Co. Ltd.'s (SRCB) 'BBB-' long-term issuer credit rating. In addition, S&P revised the rating outlook to positive from stable. The rating action reflects the improving credit standing of the Shanghai municipal government, which saw reforms of its state-owned enterprises (SOEs) that will continue over the next 12-24 months, thereby reducing the size of the city's contingent liabilities. Moody's downgraded Imperial Pacific International Holdings Ltd.'s (Imperial Pacific) corporate family rating to 'Caa1' from 'B3'. The rating outlook is negative. The rating action reflects Moody's concern over the company's trend of weak operating cash flow. Moody's also expects that the high collection risk on the company's accounts receivables will unlikely improve further over the next 12-18 months. Moody's upgraded Powerlong Real Estate Holdings Limited's (Powerlong) corporate family rating to 'B1' from 'B2', and its senior unsecured ratings to 'B2' from 'B3'. The ratings outlook is stable. The rating action reflects Moody's expectation that the company's growth in scale, as well as the improvement in its liquidity position and debt-service ability, as measured by EBIT/interest coverage and rental revenue/interest, will be sustained over the next 12 to 18 months. Moody's upgraded Pertamina (Persero) (P.T.)'s (Pertamina) baseline credit assessment (BCA) to 'Baa3' from 'Ba1'. In addition, Moody's affirmed Pertamina's 'Baa3' issuer and senior unsecured bond ratings. The outlook on the ratings is positive. The rating action reflects the company's strong financial performance in 2016, resulting in a strong improvement of its credit metrics. Fitch upgraded Indonesia-based PT Indika Energy Tbk's (Indika) Foreign- and Local-Currency Issuer Default Ratings (IDR) to 'B-' from 'CCC'. In addition, Fitch upgraded Indika's outstanding senior notes to 'B-' from 'CCC'. In addition, all ratings have been removed from Rating Watch Positive and a stable outlook has been assigned to the Long-Term IDRs. The rating action follows Indika's successful issue of the USD265 million senior notes to refinance Indika's 2018 USD note maturities, which Fitch believes has improved Indika's liquidity, in addition to expected cash flow improvement due to higher thermal coal prices. Fitch assigned Tewood Group Finance No 3 Limited's USD300mn and USD200mn senior unsecured notes final 'BBB-' ratings. The final rating is in line with the expected rating assigned on 26 March 2017.

### Credit Headlines:

**Sabana Shari'ah Compliant REIT ("SSREIT"):** On 6 February 2017, a group of dissenting unitholders had formally submitted a requisition letter requesting an Extraordinary General Meeting ("EGM") to be held. The dissenting unitholders are proposing to remove Sabana Real Estate Investment Management Pte Ltd as the REIT Manager of SSREIT (among other interconnected matters) via this EGM. SSREIT has set the date for the EGM for 28 April 2017. We had thought it far likelier for the current REIT Manager to put a proposal to the table in time for the EGM. SSREIT had been undergoing a Strategic Review to assess options to enhance unitholder value since February 2017. Nonetheless, the Strategic Review Committee (along with their financial advisor) has yet concluded the review process. There is no counter-proposal in place from the existing REIT Manager apart from keeping the REIT "status-quo". On the flipside, the dissenting unitholders has no replacement plan in place. In our view, by booting out the REIT Manager without an appropriate one to take its place, SSREIT is likely to fall into disarray (eg: trigger Dissolution Event clause for sukuks, day-to-day operations affected). Net-net, our base case, [as per our Credit Update on 9 March 2017](#), remains that majority of unitholders (by percentage holding) would vote in a manner that preserves the highest valuation for their stake. We are maintaining our Negative issuer profile on SSREIT on the back of its relatively levered profile against immediate peers and are Neutral on the SSREIT'18s and '19s. We continue to monitor the situation. (Company, OCBC)

**Credit Headlines (cont'd):**

**CWT Ltd ("CWT"):** CWT has announced a trading halt of its listed equities pending the release of an announcement. Per media reports, HNA is in advanced talks about making a formal takeover offer for the company. Since May 2016, HNA had been in exclusive discussions with the controlling shareholders of CWT to purchase their stake in the company. There is no Change of Control provisions nor delisting put for both the CWT '19s and '20s. Should a deal conclude, we are likely to see CWT privately held as a subsidiary of HNA. A break-up of CWT remains possible, though we think this would have to be put through a bondholder's vote. We are underweight the CWT curve and are reviewing the issuer profile. (Company, Bloomberg, OCBC)

**Oxley Holdings Ltd ("OHL"):** Yesterday, OHL announced that it is looking to issue a bond, with fixed income investor meetings commencing on 10 April 2017. We have rated OHL with a Neutral Issuer Profile, despite its elevated net gearing (2QFY2017: 1.8x), as this is premised on its commitment to deleverage. We note the outstanding SGD150mn OHLSP '17s which will be due next month. However, if OHL were to substantially increase its borrowings beyond the needs for refinancing, we may view this as a break from its commitment to deleverage. Pending updates from OHL on the use of proceeds and the potential issuance size, we will retain OHL at a Neutral Issuer Profile. (Company, OCBC)

**Ezra Holdings Ltd ("Ezra"):** Triyards Holdings Ltd ("Triyards", 60.9%-owned by Ezra), reported 2QFY2017 results. Revenue was flattish at USD70.6mn (2QFY2016: USD70.5mn), but lower by 22.6% q/q. The trend of margin compression due to product mix continues, with gross margin at 16% (2QFY2016: 21%). Though Triyards was able to win a few new orders recently, overall net order book shrunk q/q from USD353mn to USD321mn. Due to provisions taken on EZRA related receivables (USD8.4mn impact), Triyards swung to a quarterly net loss of USD6.3mn. Due to increase in receivables, and the pay down of payables, operating cash flow was negative USD24.8mn for the quarter. The cash gap was plugged by USD23mn in additional bank borrowings, which drove net gearing higher q/q from 66% to 80%. It should be noted that 2QFY2017 ended February 2017, before EZRA filed for bankruptcy protection. Going forward, it may be more difficult for Triyards to access funding, given the restructuring happening at EZRA. (OCBC, Company)

**Sembcorp Industries ("SCI") / Sembcorp Marine ("SMM"):** It was reported that Transocean may be interested in acquiring the West Rigel semi-submersible rig. The West Rigel was ordered by North Atlantic Drilling from SMM, but North Atlantic Drilling was unable to take delivery, resulting in a standstill agreement with SMM (first announced 03/12/15, most recent extension to 06/07/17). The West Rigel, with a contract value of ~USD568mn, was originally scheduled for delivery by 4Q2015, and had a balance of USD455mn due to SMM upon the delivery of the rig. We would consider a Transocean transaction for the West Rigel to be a credit positive for SCI. (Business Times, OCBC)

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