

November 7, 2017

Credit Headlines (Page 2 onwards): Aspiat Corp Ltd / World Class Global Ltd, CMA CGM S.A., ASL Marine Holdings Ltd, Swissco Holdings Ltd

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 1-4bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in HRAM 3.8%'25s, CAPLSP 3.08%'27s, CNQCHK 4.9%'20s, and better selling seen in PILLSP 7.25%'18s. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 179bps, while the yield on JACI HY Corp fell 1bps to 6.85%. 10Y UST yields fell 1bps to 2.32% in a rather uneventful day, as it followed the drop in yields in European government bonds, which was driven by favourable supply dynamics.

New Issues: OUE Treasury Pte Ltd has priced a SGD200mn 5.5-year bond (guaranteed by OUE Ltd) at 3.55%, tightening from initial guidance of 3.8% area. Far East Consortium has priced a USD150mn 5.5-year bond at 4.5%, tightening from initial guidance of 4.625% area. Guotai Junan International Holdings Ltd has priced a USD300mn 364-day bond at 2.8%, tightening from initial guidance of 2.95% area. AVIC International Leasing Co has priced a USD300mn 3-year bond at CT3+137.5bps, tightening from initial guidance of CT3+175bps area. The expected issue ratings are 'NR/NR/BBB+'. Australia and New Zealand Banking Group Ltd, acting through its New York Branch, has priced a four-tranche deal, with the USD1bn 3-year fixed rate bond priced at CT3+53bps, tightening from initial guidance of CT3+mid-60bps, the USD500mn 3-year floating rate bond priced at 3mL+32bps, with the initial guidance at 3mL equivalent; the USD1bn 5-year fixed rate bond priced at CT5+65bps, tightening from CT5+mid-70bps; and the USD250mn 5-year floating rate bond priced at 3mL+58bps, with the initial guidance at 3mL equivalent. The expected issue ratings are 'Aa3/AA-/AA-'. PT Sawit Sumbermas Sarana Tbk has scheduled investor meetings for potential USD bond issuance from 7 Nov.

Table 1: Key Financial Indicators

	7-Nov	1W chg (bps)	1M chg (bps)		7-Nov	1W chg	1M chg
iTraxx Asiax IG	76	1	-3	Brent Crude Spot (\$/bbl)	64.13	4.50%	15.30%
iTraxx Sovx APAC	15	0	-1	Gold Spot (\$/oz)	1,280.44	0.71%	-0.28%
iTraxx Japan	48	-1	3	CRB	192.57	2.69%	6.42%
iTraxx Australia	66	0	-4	GSCI	429.44	3.78%	9.59%
CDX NA IG	53	1	-1	VIX	9.4	-10.48%	-2.59%
CDX NA HY	108	0	0	CT10 (bp)	2.320%	-5.94	-3.90
iTraxx Eur Main	49	-1	-8	USD Swap Spread 10Y (bp)	-3	0	2
iTraxx Eur XO	223	-2	-25	USD Swap Spread 30Y (bp)	-27	2	6
iTraxx Eur Snr Fin	51	-1	-9	TED Spread (bp)	22	-6	-7
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	10	-1	-4
iTraxx Sovx CEE/MEA	47	4	6	Euro Libor-OIS Spread (bp)	3	0	0
					7-Nov	1W chg	1M chg
				AUD/USD	0.769	0.47%	-0.79%
				USD/CHF	0.998	0.00%	-1.78%
				EUR/USD	1.161	-0.30%	-1.10%
				USD/SGD	1.361	0.12%	0.15%
Korea 5Y CDS	70	-2	0	DJIA	23,548	0.86%	3.40%
China 5Y CDS	56	5	-3	SPX	2,591	0.71%	1.64%
Malaysia 5Y CDS	64	2	-2	MSCI Asiax	701	1.27%	3.65%
Philippines 5Y CDS	64	1	-1	HSI	28,597	1.24%	0.49%
Indonesia 5Y CDS	96	3	-5	STI	3,391	0.50%	3.03%
Thailand 5Y CDS	49	2	-1	KLCI	1,743	-0.29%	-1.20%
				JCI	6,051	1.28%	2.46%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
6-Nov-17	OUE Treasury Pte Ltd	Not Rated	SGD200mn	5.5-year	3.55%
6-Nov-17	Far East Consortium	Not Rated	USD150mn	5.5-year	4.5%
6-Nov-17	Guotai Junan International Holdings Ltd	Not Rated	USD300mn	364-day	2.8%
6-Nov-17	AVIC International Leasing Co	'NR/NR/BBB+'	USD300mn	3-year	CT3+137.5bps
3-Nov-17	Australia and New Zealand Banking Group Ltd	Not Rated	USD1bn	3-year	CT3+53bps
3-Nov-17	Australia and New Zealand Banking Group Ltd	Not Rated	USD500mn	3-year	3mL+32bps
3-Nov-17	Australia and New Zealand Banking Group Ltd	Not Rated	USD1bn	5-year	CT5+65bps
3-Nov-17	Australia and New Zealand Banking Group Ltd	Not Rated	USD250mn	5-year	3mL+58bps
3-Nov-17	Kaisa Group Holdings Ltd	Not Rated	USD30mn	KAISAG 7.25%'20s	99.5
3-Nov-17	Kaisa Group Holdings Ltd	Not Rated	USD100mn	KAISAG 7.875%'21s	99.5

Source: OCBC, Bloomberg

Ratings Changes: Moody's has upgraded SK Hynix Inc's (SK Hynix) corporate family rating to 'Baa3' from 'Ba1'. The outlook remains positive. The rating action reflects favorable structural changes in the global DRAM market which should allow SK Hynix to maintain a robust financial profile and excellent liquidity through the cycles. Moody's has assigned China Jianyin Investment Limited (JIC) an 'A2' issuer rating. The outlook is stable. The rating action reflects JIC's 'Baa2' baseline credit assessment due to its low leverage and prudent investment and financial management. However the rating is constrained by credit contagion risk from major investees, its evolving investment portfolio and execution risk from new investments. The rating benefits from a three-notch uplift as Moody's expects a high level of support from the Government of China in times of need. Moody's has assigned Sawit Sumbermas Sarana Tbk (P.T.) (SSMS) a corporate family rating of 'B1'. At the same time, Moody's has assigned a backed senior unsecured bond rating of 'B1' to the proposed notes to be issued by SSMS Plantation Holdings Pte Ltd, a wholly owned subsidiary of SSMS. The outlook is stable. The rating action reflects the credit quality of Citra Borneo Indah (P.R.) (CBI), which consolidates SMSS and guarantees the notes. The rating action also takes into account the expectation of increased diversification and scale provided in CBI's downstream operations, but is constrained by CBI's small scale, its exposure to CPO price volatility, execution risk of its new downstream operations, aggressive spending on land acquisitions and limited banking relationships. Fitch has also assigned SMSS an Issuer Default Rating of 'B+'. Moody's has affirmed Bank of India, Union Bank of India and Oriental Bank of Commerce's bank deposit rating at 'Baa3', while revising the outlook to stable from negative. The rating action follows the Government of India's recapitalization of Indian public sector banks, which would be large enough to help improve the capitalization levels of banks. Fitch has affirmed PT Alam Sutera Realty Tbk's (ASRI) long-term Issuer Default Rating (IDR) at 'B' with a stable outlook, while removing the ratings from Rating Watch Negative. The rating action follows ASRI's announcement that it has received consent to waive the breach of the restricted payment covenant in the bond indentures.

Credit Headlines:

Aspial Corp Ltd ("ACL") / World Class Global Ltd ("WCG"): WCG reported 3Q2017 results. WCG is 81.1% owned by ACL and WCG holds 32% of ACL's total assets as of 31 Dec 2016 (refer to [OCBC Asian Credit Daily – 17 May 2017](#) for further information on WCG's IPO). Loss before tax for 3Q2017 is SGD1.2mn, not surprising as expenses were incurred but no revenue was recorded as none of the development projects were completed and handed over. On the bright side, WCG disclosed that construction is ahead of the planned structure completion for Australia 108 (Melbourne) and AVANT (Melbourne). In 2018, WCG expects to complete 3 out of 6 stages for Australia 108 and all 2 stages for AVANT. Upon handover of the expected completions in 2018, WCG expects to receive more than SGD700mn in sales proceeds. Part of the sales proceeds will be used to repay the outstanding loans and cover the remaining development costs of the project. In 2018, WCG intends to launch Albert Street project in Brisbane. Pending ACL's 3Q2017 results, we currently hold a Negative Issuer Profile on ACL (refer to [OCBC Asian Credit Daily – 10 Aug 2017](#)) while we do not currently cover WCG. (Company, OCBC)

CMA CGM S.A. (acquired Neptune Orient Lines, "NOL"): CMA CGM announced that they will be exercising the call on the SGD300mn NOLSP'19s. The bonds will hence be redeemed on 07/12/17. CMA CGM are refinancing it with a tap on their existing EUR500mn 5.25% 2025 bond at 101.5 (or 4.8% YTM), which was originally priced on 17/10/17. Demand was strong, with the tap upsized to EUR250mn from EUR150mn. The call was opportunistic, as the distinct improvement to CMA CGM's results (refer to [OCBC Asian Credit Daily – 18 Sep 2017](#)), coupled with the recent credit rating upgrades, has lifted the CMA CGM curve. As a comparison, CMA CGM's earlier bond priced on 07/07/17 paid 6.5% for 2022 maturity. That said, if the tapped EUR bond was swapped to SGD, the yield would be ~6.8%, higher than the 5.9% they are currently paying, though the benefit would be the maturity extension from 2019 to 2025. For the remaining two SGD bonds, their coupons are lower at 4.4% and 4.65%, which makes calling them less attractive at this point in time. That said, we believe that the call on the NOLSP'19s, funded by financing taken at the parent CMA CGM level, further emphasizes CMA CGM's commitment towards NOL as a material subsidiary, and signals strong likelihood of support despite the lack of CMA CGM corporate guarantees on the legacy NOL bonds. We continue to Overweight the NOLSP'20s and NOLSP'21s, while holding the Issuer Profile at Neutral. (Company, OCBC)

Credit Headlines (Cont'd):

ASL Marine Holdings Ltd (“ASL”): ASL has provided a profit guidance for 1QFY2018 (ending September 2017), indicating that the company expects to report a net loss for the quarter. ASL has attributed the expected loss to weaker contribution from operations. Results will be released on 14/11/17. We will monitor its performance closely, particularly its EBITDA-to-Interest covenant (required to be at least 2.0x on a trailing 12 month basis). For FY2017, reported EBITDA-to-Interest was 3.75x. We currently rate ASL with a Negative Issuer Profile. (Company, OCBC)

Swissco Holdings Ltd (“SWCH”): The judicial managers for SWCH announced that on 03/11/17, the Singapore High Court has granted an extension to the Judicial Management Order for SWCH till 18/09/18, and that the judicial managers now have till 14/05/18 to hold the meeting of creditors to provide the restructuring proposal. (Company)

Andrew Wong

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

Nick Wong Liang Mian, CFA

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

Ezien Hoo, CFA

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

Wong Hong Wei

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W