

Jun 9, 2017

**Credit Headlines (Page 2 onwards):** Pacific Radiance Ltd, Mapletree Industrial Trust

**Market Commentary:** The SGD swap curve traded higher yesterday, with swap rates rising by 1-3bps across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%'49s, TSHSP 6%'20s, GEMAU 5.5%'19s, better selling seen in GUOLSP 4%'22s, and mixed interest in STHSP 3.95%'49s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 197bps, while the yield on JACI HY corporates added 3bps to 6.80%. 10y UST yields rose 2bps to 2.19%, mainly after Draghi's press conference as fast-money accounts were seen selling ahead of next week's auctions.

**New Issues:** GLL IHT Pte. Ltd. priced a SGD170mn 5-year bond (guaranteed by Guocoland Ltd.) at 3.85%, tightening from initial guidance of low 4% area. AMTD Group Company Ltd. priced a USD200mn Perp NC3 at 7.625%, tightening from initial guidance of 7.75%. FWD Group Ltd. priced a USD500mn Perp NC5 at 6.625%, tightening from initial guidance of 7%. Hilong Holding Ltd. scheduled investor roadshows from 9 Jun for potential USD bond issuance. The expected issue ratings are 'NR/B1/BB-'.

**Rating Changes:** Moody's assigned Hilong Holding Limited (Hilong) a 'B1' corporate family rating and senior unsecured rating to the company's proposed bond issuance. The rating action reflects Hilong's strong market positions in its drill pipes and oil country tubular goods (OCTG) coating materials and services businesses globally, based on its strong product offerings, technological capabilities, and close and long-term relationships with its major oil customers. Moody's withdrew the 'B2' corporate family rating of Energi Mega Persada Tbk (P.T.) (EMP) due to insufficient information.

**Table 1: Key Financial Indicators**

	9-Jun	1W chg (bps)	1M chg (bps)		9-Jun	1W chg	1M chg
iTraxx Asiax IG	86	-1	-4	Brent Crude Spot (\$/bbl)	47.87	-4.16%	-1.76%
iTraxx SovX APAC	18	-1	-2	Gold Spot (\$/oz)	1,273.38	-0.45%	4.27%
iTraxx Japan	41	1	-1	CRB	176.10	-1.67%	-0.67%
iTraxx Australia	85	-1	4	GSCI	367.90	-1.72%	-0.27%
CDX NA IG	61	1	-1	VIX	10.16	2.73%	2.01%
CDX NA HY	107	0	0	CT10 (bp)	2.192%	3.29	-20.57
iTraxx Eur Main	60	-2	-2	USD Swap Spread 10Y (bp)	-4	1	3
iTraxx Eur XO	245	-3	-7	USD Swap Spread 30Y (bp)	-42	1	3
iTraxx Eur Snr Fin	67	-4	1	TED Spread (bp)	25	0	-4
iTraxx Sovx WE	8	0	0	US Libor-OIS Spread (bp)	8	-2	-6
iTraxx Sovx CEEMEA	47	4	-1	Euro Libor-OIS Spread (bp)	3	1	0
					9-Jun	1W chg	1M chg
				AUD/USD	0.753	1.21%	2.56%
				USD/CHF	0.969	-0.60%	3.97%
				EUR/USD	1.119	-0.77%	2.92%
				USD/SGD	1.383	-0.17%	2.07%
Korea 5Y CDS	53	-2	-3	DJIA	21,183	0.18%	0.99%
China 5Y CDS	71	-3	-8	SPX	2,434	0.15%	1.54%
Malaysia 5Y CDS	91	-3	-13	MSCI Asiax	630	0.94%	4.39%
Philippines 5Y CDS	77	-1	-1	HSI	26,064	0.54%	4.72%
Indonesia 5Y CDS	119	-1	-5	STI	3,249	0.29%	-0.02%
Thailand 5Y CDS	57	1	1	KLCI	1,787	0.54%	1.13%
				JCI	5,695	-0.83%	-0.04%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
8-Jun-17	GLL IHT Pte. Ltd.	Not Rated	SGD170mn	5-year	3.85%
8-Jun-17	AMTD Group Company Ltd	Not Rated	USD200mn	Perp NC3	7.625%
8-Jun-17	FWD Group Ltd.	Not Rated	USD500mn	Perp NC5	6.625%
7-Jun-17	Starhub Ltd	Not Rated	SGD200mn	Perp NC5	3.95%
7-Jun-17	Far East Horizon Ltd	Not Rated	USD300mn	Perp NC5	4.35%
7-Jun-17	Tunghsu Venus Holdings Ltd	"B/NR/B+"	USD350mn	3-year	7.25%
7-Jun-17	DianJian Haiyu Ltd	"NR/Baa1/BBB+"	USD500mn	Perp NC5	3.5%
6-Jun-17	State Elite Global Ltd.	"A/A1/NR"	USD600mn	5-year	CT5+110bps
6-Jun-17	China Everbright Bank	"NR/NR/BBB"	USD300mn	3-year	3mL+85bps

Source: OCBC, Bloomberg

**Rating Changes (cont'd):** Fitch affirmed PT Pakuwon Jati Tbk's (Pakuwon) Foreign-Currency Issuer Default Rating (IDR), the foreign-currency senior unsecured rating and the rating on the USD250 million senior unsecured notes due in 2024 at 'BB-'. In addition, Fitch revised the company's Outlook to Positive from Stable. The rating action reflects Fitch's expectations that the scale and asset granularity of Indonesia-based Pakuwon's investment property (IP) portfolio will improve to levels commensurate with a higher rating over the next one to two years as the company continues to ramp up its portfolio.

## Credit Headlines:

**Pacific Radiance Ltd ("PACRA"):** PACRA has announced that it had received approvals for two government-back financing schemes, specifically the Internationalisation Finance Scheme ("IFS") by IE Singapore and the Bridging Loan scheme by Spring Singapore. For both schemes, PACRA has been approved to borrow up to the maximum available per scheme, accessing SGD70mn (in phases, subject to disbursement conditions) for the IFS and SGD15mn for the Bridging Loan. The facility providers are DBS and UOB, with the government taking 70% of the risk share for both schemes. The fresh capital would help bolster PACRA's current weak liquidity situation, with PACRA reporting a cash balance of just USD23.7mn as of end-1Q2017. PACRA also remained in a negative free cash flow position in 1Q2017 (outflows of USD14.7mn) though there should be some improvement in 2Q2017 and 3Q2017 due to seasonal factors. The new facilities would provide PACRA with more buffer to ride through the still challenging environment. That said, net gearing as of end-1Q2017 is already elevated at 174%, and we expect it to climb when PACRA starts drawing down on the new facilities. A reversal in the deterioration in credit profile would likely occur only 1) when the environment for offshore marine activity improves and / or 2) new equity capital gets raised to help deleverage the balance sheet. That said, it is worth noting that one of the conditions to the new facilities is that PACRA's controlling shareholders, the Pang family, in aggregate maintain at least a 50.1% direct / indirect stake in PACRA. As such, there are limits to the amount of dilution that the Pang family can take when raising equity. The Pang family currently holds 68% of PACRA. In addition, the PACRA'18 bonds are maturing on 29/08/18, in slightly more than a year's time. It remains challenging for PACRA to build up a cash balance quickly enough to redeem the bonds, given the current environment. The new facilities raised are likely to be used for working capital purposes to support their on-going business. As such, PACRA would either need to try to refinance the bond via raising new capital (be it debt or equity), failing which PACRA would need to consider conducting a consent solicitation to extend the bonds' maturity (like its peer ASL Marine). In aggregate, we believe that the new facilities are a credit positive, with the fresh liquidity providing a buffer for PACRA to sustain its operations. That said, the environment remains challenging, and we expect leverage to remain elevated. As such, we will retain our Negative Issuer Profile. (Company, OCBC)

**Mapletree Industrial Trust ("MINT"):** MINT is proposing to divest 65 Tech Park Crescent for SGD17.7mn to Concrete Innovators Co. Pte Ltd. The property was valued at SGD17.6mn as at 31 March 2017 and was bought at MINT's 2010 IPO for SGD13.2mn and contributed 0.3% to MINT gross revenue for the year ended March 2017 ("FY2017"). The property is a single-user building with a 10 year Master Lease that is due to expire in November 2017. The remaining underlying land lease is ~36 years. We see this as a credit neutral event given the small scale of the asset being disposed. (Company, OCBC)

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