

January 11, 2018

**Credit Headlines (Page 2 onwards):** Pacific Radiance Ltd, OUE Ltd/ OUE Lippo Healthcare Ltd

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter term tenors trading 2-3bps higher while the longer tenors traded 5-6bps higher. Flows in SGD corporates were heavy, with better buying seen in EREIT 4.6%-PERPs and OLAMSP 5.5%-PERPs. In the broader dollar space, the spread on the Bloomberg Barclays Asia USD IG Bond Index traded little changed at 1.09 while the spread on the Bloomberg Barclays Asia USD HY Bond Index fell 1.11% to 3.14. The 10Y UST yield traded little changed at 2.56%.

**New Issues:** Bank Of Shanghai Co Ltd (keepwell provider for BOSC International (BVI) Ltd as issuer) has set final guidance for its USD500mn 3-year bond at CT3+115bps, tightening from the initial guidance of CT3+135bps area. The expected issue ratings are 'NR/A1/NR' based on an SBLC from China Construction Bank Corporation Hong Kong Branch. International Container Terminal Services Inc has also set final guidance for its USD fixed-for-life Perp NC 2022 (guaranteed by International Container Terminal Services Inc) at 5.875%, tightening from its initial guidance of 6% area. Zhongyuan Sincere Investment Co Ltd has set final guidance for its USD300mn 3-year bond (guaranteed by Zhongyuan Yuzi Investment Holdings Group Co Ltd) at CT3+175bps, tightening from initial guidance of CT3+210bps area. The expected issue ratings are 'NR/NR/A-'. Triceratops Capital Co Ltd has scheduled for investor meetings from 11 Jan for its Euro 3-year bond issuance (guaranteed by Jingjiang International Holding Co Ltd). The expected issue ratings are 'NR/A1/NR'. Sunny Optical Technology Group Co Ltd has scheduled for investor meetings from 11 Jan for its potential USD bond issuance. The expected issue ratings are 'NR/Baa2/NR'. Hankook Tire Co Ltd has scheduled for investor meetings from 15 Jan for its potential USD bond issuance. Yes Bank Ltd is said to raise USD500mn in a dollar-denominated bond sale.

**Table 1: Key Financial Indicators**

	11-Jan	1W chg (bps)	1M chg (bps)		11-Jan	1W chg	1M chg
iTraxx Asiax IG	60	-5	-11	Brent Crude Spot (\$/bbl)	69.20	2.00%	9.15%
iTraxx Sovx APAC	10	-2	-4	Gold Spot (\$/oz)	1,318.06	-0.37%	6.12%
iTraxx Japan	44	-1	-2	CRB	194.83	-0.27%	5.03%
iTraxx Australia	53	-4	-9	GSCI	450.45	0.74%	6.39%
CDX NA IG	47	0	-4	VIX	9.82	7.32%	5.14%
CDX NA HY	109	0	1	CT10 (bp)	2.551%	9.88	16.27
iTraxx Eur Main	45	0	-2	USD Swap Spread 10Y (bp)	-2	-1	-3
iTraxx Eur XO	232	1	0	USD Swap Spread 30Y (bp)	-21	-1	-2
iTraxx Eur Shr Fin	44	1	-1	TED Spread (bp)	29	-2	1
iTraxx Sovx WE	0			US Libor-OIS Spread (bp)	23	-2	8
iTraxx Sovx CEEMEA	35	3	-8	Euro Libor-OIS Spread (bp)	2	0	3
					11-Jan	1W chg	1M chg
				AUD/USD	0.786	-0.01%	4.48%
				USD/CHF	0.979	-0.44%	1.36%
				EUR/USD	1.195	-0.99%	1.52%
				USD/SGD	1.334	-0.43%	1.34%
Korea 5Y CDS	43	-9	-16	DJIA	25,369	1.79%	4.03%
China 5Y CDS	45	-4	-10	SPX	2,748	1.30%	3.32%
Malaysia 5Y CDS	52	-6	-11	MSCI Asiax	739	0.79%	6.00%
Philippines 5Y CDS	53	-5	-9	HSI	31,074	1.68%	7.28%
Indonesia 5Y CDS	78	-6	-15	STI	3,520	1.62%	1.73%
Thailand 5Y CDS	40	-5	-7	KLCI	1,823	1.68%	6.02%
				JCI	6,371	1.91%	5.72%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD750mn	2-year	3mL+35bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD1.25bn	2-year	CT2+55bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD750mn	10-year	CT10+10bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD500mn	5-year	3mL+74bps
9-Jan-18	Sumitomo Mitsui Financial Group, Inc	'NR/A1/A-'	USD1.5bn	5-year	CT5+78Bbps
9-Jan-18	Times Property Holdings Ltd	'NR/B2/B+'	USD500mn	NC2	6.25%
9-Jan-18	Wharf REIC Finance (BVI) Ltd	'NR/A2/NR'	USD600mn	10-year	CT10+110-115bps
9-Jan-18	Country Gardens Holding Company Ltd	'NR/NR/BBB-'	USD600mn	Perp NC4	5.2%
9-Jan-18	Country Gardens Holding Company Ltd	'NR/NR/BBB-'	USD250mn	Perp NC3	4.75%
9-Jan-18	United Overseas Bank Ltd	'NR/Aaa/AAA'	EUR500mn	7-year	MS+2

Source: OCBC, Bloomberg

**Rating Changes:** Moody's has assigned Sunny Optical Technology Group Ltd 'Baa2' for its senior unsecured rating. The outlook is stable. The rating action reflects Moody's expectation that Sunny Optical will complete the bond issuance upon satisfactory terms and conditions coupled with the company's strong positioning as a global optical component specialist with growing and diversifying end markets and applications. Fitch has assigned Jiaying City Development Investment Group's (JCDI) senior unsecured notes a final rating of 'BBB-'. The outlook is stable. The rating action follows the creditworthiness of Jiaying municipality in Eastern China which the ratings of JCDI are credit-linked to, given its strategic importance to the Jiaying government. Fitch however acknowledged that JCDI's creditworthiness is constrained by a weaker debt profile. Fitch has assigned Power Grid Corporation Of India Ltd (POWERGRID) a rating of 'BBB-' for its issuer default rating. The outlook is stable. The rating action reflects POWERGRID's strong market positioning as it owns and operates around 85% of India's inter-regional and inter-state electricity transmission network assets.

## Credit Headlines:

**Pacific Radiance Ltd ("PACRA"):** PACRA has announced that they will be holding the 2<sup>nd</sup> informal noteholders' meeting on the 19<sup>th</sup> of January 2018, to update noteholders on the progress of the on-going restructuring. This is consistent with PACRA's intentions as announced previously during their 3Q2017 results (refer to [OCBC Asian Credit Daily - 10 November 2017](#)). During the 1<sup>st</sup> informal noteholder's meeting, they had indicated that in the event of debt acceleration, should the outcome be liquidation, expected recoveries would be poor for noteholders (beyond the coupons currently held in escrow). We had previously opined (refer to [Singapore Credit Outlook 2018](#)) that PACRA may be seeking to avoid a court-driven restructuring process and instead look to conduct the restructuring out-of-court via a consent solicitation. Based on what PACRA's peers had done in the offshore marine space, we would expect some extension to the maturity of PACRA's existing SGD100mn bond (that is maturing in August 2017). In addition, given PACRA's liquidity situation, there may be attempts to reduce cash coupon, either by cutting the coupon rate outright, or to pay part of the coupon in kind (such as in shares or in accrual). PACRA may also seek to convert part of the bond into equity to relief PACRA's debt burden, though we expect significant dilution to existing shareholders in such a situation. The biggest factor that noteholders have to consider is that PACRA's capital structure is secured bank loan heavy (~85% loans, largely vessel financing) and that PACRA's net gearing is already very high at 195%, which may affect recoveries. We will continue to monitor the situation closely. (Company, OCBC)

**OUE Ltd ("OUE") / OUE Lippo Healthcare Ltd ("OLH"):** OLH is a 86.2%-owned listed subsidiary of OUE. OLH had announced that it is proposing to place 562.5mn new shares at SGD0.14 per share to ITOCHU Corporation ("ITOCHU"), via ITOCHU's wholly-owned subsidiary Brownly Healthcare Pte Ltd. The total consideration is SGD78.75mn, with ITOCHU becoming a strategic investor with a 25.3% stake in OLH. Subject to closing conditions, the placement is expected to be completed by 10/02/18. ITOCHU is a large diversified trading company with a market capitalization of over USD30bn. ITOCHU had been making investments in recent years to build a new business portfolio in the healthcare sector. Aside from business synergies, OLH's management stated that the investment would also strengthen the financial position of OUE, improving OUE's ability to execute its business plans. In our view, given that OLH is consolidated into OUE's results, the equity investment would be a credit positive. Our estimates is for OUE pro-forma 3Q2018 net gearing to dip slightly to ~59% (from 61%). OLH had reported SGD169.1mn in short-term borrowings as of end-3Q2017. There are caveats to the investment though: 1) OUE (and its subsidiaries) are not allowed to dispose shares in OLH to the extent that results in OUE ceasing to be the shareholder with the largest holding in OLH 2) In the event certain financial-related triggers (these were not publically disclosed) occur, based on audited statements of OLH for the fiscal year ending 2020, OUE would be obligated to purchase ITOCHU's shares in OLH at the lower of ITOCHU's subscription price of SGD0.14 per share, or fair market value of the shares (subject to certain adjustments). We currently hold OUE's Issuer Profile at Neutral (4). (Company, OCBC)

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