

Mar 12, 2018

**Credit Headlines:** Keppel Corp, Ezion Holdings Limited

**Market Commentary:** The SGD swap curve flattened last Friday, with swap rates trading 2-3bps higher for the shorter tenors while the longer tenors traded 2bps higher (with the exception of 12Y rates trading 2bps lower). Flows in SGD corporates were heavy last Friday, with better selling seen in CACHE 5.5%-PERP. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 115bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 355bps. 10Y UST yield rose 4bps to 2.90% due to better-than-expected non-farm payrolls data released last Friday which overshadowed the weakness in wage growth.

**New issues:** China Eastern Airlines Corp Ltd (CHIEAS) has priced a JPY50bn deal across 3-tranches, with the JPY10bn 3-year bond (guaranteed by Sumitomi Mitsui Banking Corp/HongKong) priced at 0.33%; the JPY20bn 3-year LC bond (guaranteed by Bank of China Ltd/Tokyo) priced at 0.64%, in line with its initial price guidance and the JPY20bn 3-year LC bond (guaranteed by Industrial & Commercial Bank Of China Ltd/Shanghai) at 0.64%, in line with its initial guidance. The expected issue ratings are 'NR/A1/NR'. Guangyang Antai (HK) Co Ltd has scheduled for investor meetings from 12 Mar for its potential USD bond issuance (guaranteed by Guangyang Antai Holdings Ltd). The expected issue ratings are 'NR/NR/BB-'. Visi Media Asia Tbk Pt has scheduled for investor meetings for its potential USD bond issuance. Hanwha Life Insurance Co Ltd has hired banks for its potential USD1bn offshore hybrid bond issuance.

**Rating Changes:** Moody's has assigned a first-time 'B2' corporate family rating to Zhengzhou Zhongrui Industrial Group Co Ltd. Moody's has also assigned a 'B3' senior unsecured rating to the proposed bonds issued by Zhongrui Industrial Group Ltd and guaranteed by Zhongrui, China Coal Solution Co Ltd and Hechang Real Estate Group Co Ltd. The outlook is stable. The rating action reflects Moody's expectation that Zhongrui will complete the proposed bond issuance upon satisfactory terms and conditions. It also reflects the company's established track record in property

**Table 1: Key Financial Indicators**

	12-Mar	1W chg (bps)	1M chg (bps)		12-Mar	1W chg	1M chg
iTraxx Asiax IG	65	-5	-9	Brent Crude Spot (\$/bbl)	65.60	0.09%	4.81%
iTraxx SovX APAC	12	0	-2	Gold Spot (\$/oz)	1,321.92	0.14%	-0.06%
iTraxx Japan	47	-3	-5	CRB	195.15	0.53%	3.21%
iTraxx Australia	57	-3	-9	GSCI	444.40	0.64%	3.23%
CDX NA IG	54	-2	-3	VIX	14.64	-25.27%	-42.83%
CDX NA HY	107	0	1	CT10 (bp)	2.907%	2.58	4.81
iTraxx Eur Main	50	-4	-4	USD Swap Spread 10Y (bp)	3	2	1
iTraxx Eur XO	254	-19	-16	USD Swap Spread 30Y (bp)	-16	3	1
iTraxx Eur Snr Fin	50	-6	-4	TED Spread (bp)	43	4	16
iTraxx Sovx WE	19	-1	-1	US Libor-OIS Spread (bp)	44	3	15
iTraxx Sovx CEEMEA	34	0	-3	Euro Libor-OIS Spread (bp)	3	0	0
					<b>12-Mar</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.786	1.18%	-0.06%
				USD/CHF	0.951	-1.17%	-1.23%
				EUR/USD	1.231	-0.23%	0.13%
				USD/SGD	1.316	0.20%	0.56%
Korea 5Y CDS	44	-7	-12	DJIA	25,336	3.25%	2.99%
China 5Y CDS	54	-2	-10	SPX	2,787	3.54%	4.92%
Malaysia 5Y CDS	62	-1	-4	MSCI Asiax	734	3.01%	4.56%
Philippines 5Y CDS	64	-1	-4	HSI	30,996	1.35%	5.22%
Indonesia 5Y CDS	89	1	-5	STI	3,486	0.18%	2.97%
Thailand 5Y CDS	39	-1	-4	KLCI	1,844	-0.65%	0.75%
				JCI	6,433	-2.26%	-1.38%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
9-Mar-18	China Eastern Airlines Corp Ltd	'NR/A1/NR'	JPY10bn	3-year	0.33%
9-Mar-18	China Eastern Airlines Corp Ltd	'NR/A1/NR'	JPY20bn	3-year	0.64%
9-Mar-18	China Eastern Airlines Corp Ltd	'NR/A1/NR'	JPY20bn	3-year	0.64%
8-Mar-18	Shimao Property Ltd	'NR/NR/BBB-'	CNH950mn	3NC2	5.75%
8-Mar-18	Taizhou Huaxin Pharmaceutical Investment Co Ltd	'NR/NR/BB+'	USD150mn	3-year	6.8%
8-Mar-18	Tewoo Group No 5 Ltd	'NR/NR/BBB-'	USD450mn	Perp NC3	5.8%
8-Mar-18	Rizal Commercial Banking Corporation	'NR/Baa2/NR'	USD300mn	5-year	CT5+150bps
8-Mar-18	Export- Import Bank of Korea	'AA/Aa2/NR'	USD400mn	5-year	3mL+74bps
7-Mar-18	Hyundai Capital America	'NR/Baa1/NR'	USD250mn	3-year	3mL+82bps
7-Mar-18	Hyundai Capital America	'NR/Baa1/NR'	USD550mn	3-year	CT3+105bps

Source: OCBC, Bloomberg

**Rating Changes (cont'd):** development and Moody's expectation that this business will grow faster than its coal solution. Moody's has upgraded the long-term bank deposit ratings of Hiroshima Bank Ltd to 'A2' from 'A3'. The outlook is stable. The rating action is driven by Hiroshima Bank's strong loan performance, improving capitalisation and strong liquidity.

## **Credit Headlines:**

**Keppel Corp ("KEP"):** As mentioned previously (refer to [OCBC Asian Credit Daily \(28 Feb 2018\)](#)) KEP had announced that it has signed a letter of intent ("LOI") with Awilco Drilling PLC ("Awilco") to construct a semisubmersible drilling rig spec for harsh environment use. In a follow up announcement, KEP had announced that the contract has been secured and is worth USD425mn. In addition, Awilco has independent options for three similar rigs, to be exercised within 12, 24 and 36 months respectively. The prices for these additional rigs would be subject to price adjustments and will be announced separately if the options are exercised. The contracted rig is scheduled for completion in 1Q2021. As mentioned previously, it is commendable that KEP was able to bring in potential orders for drilling assets given the still oversupply situation for the drilling rig market. We currently hold KEP at Neutral (3) Issuer Profile.

**Ezion Holdings Limited ("EZI"):** EZI has given notice for the holding of the shareholders' EGM to vote on the issuance of various convertible debentures, new shares as well as warrants. This is part of EZI's overall restructuring process (refer to [OCBC Asia Credit - Ezion Credit Update \(8 Feb 2018\)](#)). The date of the EGM is 28/03/18. EZI's directors have declared that the proposals floated as part of the EGM are in the best interests of the company, and accordingly recommended that shareholders vote in favour of the resolution. (Company)

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