

Mar 29, 2018

## **Market Commentary**

- Yesterday, the SGD swap curve bull flattened, with the shorter tenors trading 1-3bps lower while the longer tenors traded 4-5bps lower.
- Flows in SGD corporates remained moderate, with better buying in UOBSP 4.9% PERP.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS traded 1bp higher at 125bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS compressed 23bps to 357bps.
- 10Y UST traded around 2.75%-2.78% region and ended the day unchanged at 2.78% (lowest in over six weeks), supported by safe haven flows amidst risk-off sentiments.

## **Credit Headlines**

### **Ezion Holdings Ltd (“EZI”) | Issuer Profile: Negative (7)**

- EZI released both the results of its shareholder EGM on the restructuring, as well as its 4Q2017 / full-year 2017 results. 99.23% of the votes supported the restructuring resolution floated by the EGM. This clears the path to move forward with the broader restructuring. The tentative timeline provided by EZI targets for the issuance of the refinancing bonds, interest shares and consent shares to bondholders by mid-April. The resumption of trading of EZI's shares are expected soon after.
- For EZI's 4Q2017 / full-year 2017 results, as guided by management previously (refer to [OCBC Asian Credit Daily \(22 Mar 2018\)](#)), EZI had taken USD896.9mn in writeoff / impairment losses on its PPE (USD558.0mn due to jack-up rigs, USD139.3mn due to OSVs), trade receivables and loans to joint ventures (jack-up rigs impact for both totals USD138.6mn). These impairments were long-time coming (refer to [OCBC Asian Credit Daily \(10 Nov 2016\)](#), [OCBC Asia Credit - Ezion Credit Update \(24 Oct 2017\)](#) and [OCBC Asia Credit - Ezion Credit Update \(8 Feb 2017\)](#)). The impairments / provisions drove EZI to a net loss of USD969.0mn for the quarter, or USD1.02bn for the full year. It had also wiped out EZI's retained earnings, resulting in total equity falling sharply from USD1315.4mn (end-2016) to just USD304.8mn (end-2017).
- Looking beyond the impairments, core performance was also extremely weak with revenue falling 38.5% y/y to USD44.7mn for the quarter. This follows the trend seen for the full year, which saw revenue decline 39.3% to USD193.1mn. Management had attributed delays to the re-deployment of EZI's liftboats due to working capital constraints due to EZI's restructuring, the ceasing of revenue recognition on customers deemed not able to meet existing charter obligations for its jack-up rigs as well as further falls in its OSV fleet utilization.
- For the quarter, operating cash flow (including interest service) was USD11.7mn though it was largely driven by the monetization of its working capital. Gross borrowings stood at USD1.41bn, of which USD464.3mn worth is unsecured (which includes the bonds). The huge impairments / provisions drove net gearing to 447%.
- We continue to hold EZI at a Negative (7) Issuer Profile for now, and will be following up with an update once we review the numbers with more detail.

### **Oxley Holdings Ltd (“OHL”) | Issuer Profile: Negative (6)**

- OHL announced the sale of Dublin Landings for EUR164.2mn (SGD266.3mn), which OHL owns a 77.53% stake.
- The sale is not expected to have a material impact on OHL's profile given that its total asset size is far larger (SGD4.7bn). (Company, OCBC)

**Table 1: Key Financial Indicators**

	29-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	79	1	12
iTraxx SovX APAC	13	0	1
iTraxx Japan	50	1	12
iTraxx Australia	71	3	12
CDX NA IG	68	3	12
CDX NA HY	106	-1	-1
iTraxx Eur Main	62	2	9
iTraxx Eur XO	291	1	26
iTraxx Eur Snr Fin	68	2	15
iTraxx Sovx WE	18	0	-1
AUD/USD	0.766	-0.46%	-1.34%
EUR/USD	1.232	0.12%	1.01%
USD/SGD	1.312	0.42%	1.00%
China 5Y CDS	65	-1	10
Malaysia 5Y CDS	74	1	13
Indonesia 5Y CDS	103	-1	18
Thailand 5Y CDS	47	1	7

	29-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	69.53	0.09%	5.70%
Gold Spot (\$/oz)	1,326.30	-0.21%	0.61%
CRB	194.31	-0.87%	0.18%
GSCI	450.03	-0.76%	1.50%
VIX	22.87	28.05%	15.21%
CT10 (bp)	2.788%	-3.64	-7.26
USD Swap Spread 10Y (bp)	2	-2	1
USD Swap Spread 30Y (bp)	-17	-3	1
TED Spread (bp)	54	8	18
US Libor-OIS Spread (bp)	58	1	18
Euro Libor-OIS Spread (bp)	3	0	0
DJIA	23,848	-3.38%	-4.72%
SPX	2,605	-3.94%	-4.01%
MSCI Asiax	712	-2.89%	-2.24%
HSI	30,023	-4.43%	-2.67%
STI	3,383	-3.11%	-3.84%
KLCI	1,858	-1.01%	0.09%
JCI	6,141	-2.72%	-6.92%

Source: OCBC, Bloomberg

## New issues

- Shougang Group Co Ltd priced a USD500mn 360-day bond at 3.95%, tightening from its initial price guidance of 4%-4.1%.
- Jiangxi Copper Co Ltd is proposing to issue USD800mn to USD1bn of bonds, either on one-off basis or in tranches.

**Table 2: Recent Asian New Issues**

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
28-Mar-18	Shougang Group Co Ltd	USD500mn	360-day	3.95%
27-Mar-18	Ease Trade Global Ltd	USD350mn	3-year	5.2%
27-Mar-18	Baoxin Auto Finance I Ltd	USD300mn	364-day	6.625%
26-Mar-18	Car Inc	CNH400mn	3NC2	6.95%
26-Mar-18	Agile Group Holdings Ltd	USD100mn	AGILE 6.875% Perp NC5	100+accrued interest
26-Mar-18	Huaxin Pharmaceutical (HK) Co Ltd	USD56mn	TAIHUA 6.8%'21	100+accrued interest
23-Mar-18	Land Transport Authority of Singapore	SGD300mn	LTAZSP 3.35%'48	100+accrued interest
22-Mar-18	Blue Skyview Co Ltd	USD60mn	HONAIR 7.125%-Perp NC 2020	100+accrued interest
22-Mar-18	Jinshine International Co Ltd	USD400mn	3NP2	6.75%
22-Mar-18	Lenovo Group Ltd	USD750mn	5-year	CT5+215bps
22-Mar-18	Baidu Inc	USD500mn	10-year	CT10+160bps
22-Mar-18	Baidu Inc	USD1bn	5.5-year	CT5.5+125bps
20-Mar-18	Inter-American Development Bank	AUD200mn	IADB 3.74%'28	ASW+41bps

Source: OCBC, Bloomberg

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