

October 11, 2016

Credit Headlines (Page 2 onwards): Swissco Holdings Ltd.

Market Commentary: The SGD swap curve traded downwards yesterday with swap rates trading 1-2bps lower across all tenors. Flows in the SGD corporates were light with better selling seen in OLAM 5.8%'19s and OLAM 4.25%'19s. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 202bps while the yield on JACI HY corporates increased 3bps to 6.51% with investors pulling out from riskier bonds as they continue to raise bets on the possibility of an interest rate hike in December. Implied probability has risen 5 percentage points to 67% from 62% since Friday despite weaker NFP results. US treasury market was closed on Monday due to a holiday. 10y UST yield last closed at 1.72% on last Friday.

New Issues: Julius Baer Group Ltd has hired banks to arrange investor meetings in Singapore today for a potential SGD perpetual AT1 issue. Saudi Arabia has scheduled investor meetings from 12 October onwards for potential USD bond issue. Fonterra Co-Operative Group Ltd. has scheduled investor road shows from 17 October onwards for potential USD bond issue.

Table 1: Key Financial Indicators

	11-Oct	1W chg (bps)	1M chg (bps)		11-Oct	1W chg	1M chg
iTraxx Asiax IG	116	-1	6	Brent Crude Spot (\$/bbl)	53.10	4.38%	10.60%
iTraxx SovX APAC	33	0	-5	Gold Spot (\$/oz)	1,256.57	-0.94%	-5.37%
iTraxx Japan	55	-1	1	CRB	190.28	1.74%	4.24%
iTraxx Australia	103	0	4	GSCI	378.34	3.14%	6.65%
CDX NA IG	74	-1	1	VIX	13.38	-1.40%	-23.54%
CDX NA HY	104	0	0	CT10 (bp)	1.767%	8.09	9.24
iTraxx Eur Main	73	-2	3	USD Swap Spread 10Y (bp)	-16	-1	-1
iTraxx Eur XO	331	-5	5	USD Swap Spread 30Y (bp)	-56	-2	-1
iTraxx Eur Snr Fin	98	-5	8	TED Spread (bp)	56	-2	6
iTraxx Sovx WE	21	-1	-4	US Libor-OIS Spread (bp)	41	-1	1
iTraxx Sovx CEEMEA	91	0	-15	Euro Libor-OIS Spread (bp)	4	0	-1
					11-Oct	1W chg	1M chg
				AUD/USD	0.759	-0.37%	0.34%
				USD/CHF	0.983	-0.40%	-1.12%
				EUR/USD	1.113	-0.62%	-0.90%
				USD/SGD	1.376	-0.39%	-1.47%
Korea 5Y CDS	40	-1	-3	DJIA	18,329	0.41%	1.35%
China 5Y CDS	104	-1	5	SPX	2,164	0.11%	1.68%
Malaysia 5Y CDS	118	-2	0	MSCI Asiax	558	-0.08%	0.20%
Philippines 5Y CDS	117	-2	28	HSI	23,852	2.38%	-1.03%
Indonesia 5Y CDS	150	-2	8	STI	2,870	-0.02%	-0.11%
Thailand 5Y CDS	83	-2	-1	KLCI	1,665	0.77%	-1.25%
				JCI	5,361	-1.89%	1.49%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
7-Oct-16	ITC Properties Group Ltd.	"NR/NR/NR"	USD200mn	5-year	5%
5-Oct-16	UPL Corp. Ltd.	"BBB-/Baa3/BBB-"	USD500mn	5-year	CT5+200bps
4-Oct-16	Korea Housing Finance Corp.	"NR/Aa1/NR"	USD500mn	5-year	CT5+85bps
29-Sep-16	Croesus Retail Asset Management	"NR/NR/NR"	SGD50mn	Re-Tap	99.5
29-Sep-16	Kasikornbank PCL (Hong Kong)	"BBB+/Baa1/BBB+"	USD400mn	5.5-year	2.375%
29-Sep-16	Jubilant Pharma Ltd.	"BB-/NR/BB"	USD300mn	5NC3	4.875%
29-Sep-16	Television Broadcast Ltd.	"NR/NR/NR"	USD500mn	5-year	3.625%
29-Sep-16	RHB Bank	"BBB+/A3/NR"	USD500mn	5-year	CT5+137.5bps

Source: OCBC, Bloomberg

Credit Headlines:

Swissco Holdings Ltd. ("SWCH"): The Straits Times reported that as part of SWCH's informal bondholders' meeting held yesterday, SWCH had indicated that it will not be paying its SGD2.85mn in coupon due on its SWCHSP'18 bond on 16/10/16, and that it had no plans for its next course of action. Bondholders were also told that SWCH faces USD147.5mn (~SGD202.7mn) in bank debt maturing from the present till 2020. This figure is comparative to the USD148.3mn in gross borrowings (excluding the bond issue) reported as of end-1H2016. SWCH reported that it had just USD1.2mn in cash left, and that it had a monthly cash burn of USD1.5mn. In addition, aside from the four drilling rigs that are currently off-charter, its 3 JV rigs with Ezion Holdings are not receiving payments from its charterer. SWCH disclosed that its bank lenders had agreed to a debt moratorium on principal and interest payments. Management however was unable to provide details regarding the plan of restructuring. Management claimed that attempts to raise capital via vessel sales and via strategic investors failed post the Swiber Holdings default souring the market further. We will continue to await for the tentative restructuring proposal for further review. No timeline has yet been publically announced. SWCH's stock is currently on trading halt, likely pending further disclosures by management regarding yesterday's meeting. (The Straits Times, OCBC)

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