

October 13, 2016

Credit Headlines (Page 2 onwards): Swissco Holdings Ltd., Gallant Venture Ltd., Soilbuild Business Space REIT

Market Commentary: The SGD swap curve traded downwards yesterday with swap rates trading 1-4bps lower across all tenors. Flows in the SGD corporates remained light with two-way flow seen in GENSSP 5.13%'49s and SOCGEN 4.3%'26s. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 204bps while the yield on JACI HY corporates increased 3bps to 6.57%. 10y UST yield increased 1bps to 1.77% following the release of the Sept. 21 FOMC minutes that suggested a “close call” for a rate increase and that the central bank could hike “relatively soon” this year.

New Issues: Development Bank of Japan priced a USD500mn 5-year bond at MS+85bps, tightening from its initial price guidance at MS+90bps. The expected ratings for the issue are “A/A1/NR”. Tenaga Nasional Bhd priced a USD750mn 10-year Sukuk at CT10+145bps, tightening from its initial guidance at CT10+170bps. The expected issue ratings are “BBB+/A3/NR”. Abu Dhabi National Energy Co. PSJC has priced a two-tranche deal yesterday with the USD250mn 5-year bond priced at 3.625% while the other USD500mn 10-year tranche was priced at 4.375%. The expected issue ratings are “A-/A3/NR”. Commonwealth Bank of Australia priced a USD750mn 10NC5 Tier-2 bond at CT10+210bps. The expected issue ratings are “BBB+/A3/NR”. Sumitomo Mitsui Bank has priced a two-tranche deal with the USD500mn 3-year bond priced at CT3+105bps while the other tranche of USD500mn 3-year bond was priced at 3mL+91bps. Zhuzhou City Construction Development Group Co. has priced a USD300mn 3-year bond at CT3+217.5bps with expected issue ratings of “NR/Baa3/BBB-”. Tus-Holdings Co. Ltd. has priced a USD500mn 3-year bond at 4.43%, tightening from its initial guidance at 4.75%. PT Alam Sutera Realty Tbk and Tata International Singapore has scheduled investor road shows from 13 October onwards for potential USD bond issue. JBIC has mandated banks for USD 10-year bond issue. Modern Land (China) Co. Ltd is proposing to issue USD green bonds with pricing to be determined through a bookbuilding process.

Table 1: Key Financial Indicators

	13-Oct	1W chg (bps)	1M chg (bps)		13-Oct	1W chg	1M chg
iTraxx Asiax IG	118	2	2	Brent Crude Spot (\$/bbl)	51.59	-1.75%	9.53%
iTraxx SovX APAC	34	2	-5	Gold Spot (\$/oz)	1,254.37	0.00%	-4.90%
iTraxx Japan	56	1	2	CRB	188.07	0.41%	4.16%
iTraxx Australia	104	1	3	GSCI	372.76	0.27%	6.32%
CDX NA IG	76	1	-1	VIX	15.91	16.73%	-10.87%
CDX NA HY	104	0	1	CT10 (bp)	1.764%	2.67	3.68
iTraxx Eur Main	75	1	3	USD Swap Spread 10Y (bp)	-16	0	0
iTraxx Eur XO	336	4	1	USD Swap Spread 30Y (bp)	-55	-1	0
iTraxx Eur Snr Fin	99	-1	6	TED Spread (bp)	53	-1	1
iTraxx Sovx WE	21	-1	-4	US Libor-OIS Spread (bp)	41	0	0
iTraxx Sovx CEEMEA	95	5	-12	Euro Libor-OIS Spread (bp)	3	-1	0
					13-Oct	1W chg	1M chg
				AUD/USD	0.755	-0.45%	1.17%
				USD/CHF	0.990	-0.95%	-1.38%
				EUR/USD	1.102	-1.19%	-1.80%
				USD/SGD	1.385	-0.90%	-1.34%
Korea 5Y CDS	41	--	-3	DJIA	18,144	-0.75%	0.43%
China 5Y CDS	107	2	4	SPX	2,139	-0.95%	0.57%
Malaysia 5Y CDS	121	3	-2	MSCI Asiax	548	-2.10%	1.32%
Philippines 5Y CDS	120	2	26	HSI	23,407	-1.19%	0.82%
Indonesia 5Y CDS	151	2	4	STI	2,814	-2.36%	-0.17%
Thailand 5Y CDS	101	17	14	KLCI	1,667	0.25%	-0.61%
				JCI	5,365	-1.03%	2.86%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Oct-16	Development Bank of Japan	“A/A1/NR”	USD500mn	5-year	MS+85bps
12-Oct-16	Tenaga Nasional Bhd	“BBB+/A3/NR”	USD750mn	10-year	CT10+145bps
12-Oct-16	Abu Dhabi National Energy	“A-/A3/NR”	USD250mn	5-year	3.625%
12-Oct-16	Abu Dhabi National Energy	“A-/A3/NR”	USD500mn	10-year	4.375%
12-Oct-16	Commonwealth Bank of Australia	“BBB+/A3/NR”	USD750mn	10NC5	CT10+210bps
12-Oct-16	Sumitomo Mitsui Bank	“NR/NR/NR”	USD500mn	3-year	CT3+105bps
12-Oct-16	Sumitomo Mitsui Bank	“NR/NR/NR”	USD500mn	3-year	3mL+91bps
12-Oct-16	Zhuzhou City Construction Dev.	“NR/Baa3/BBB-”	USD500mn	3-year	CT3+217.5bps
12-Oct-16	Tus-Holdings Co. Ltd.	NR/NR/NR	USD500mn	3-year	4.43%

Source: OCBC, Bloomberg

Rating Changes: Moody's has assigned a definitive "Ba3" rating to Yestar International Holdings Co. Ltd.'s USD200mn 6.9%'21s bond. The rating assignment follows Yestar's completion of its USD bond issuance, the final terms and conditions of which are consistent with Moody's expectations. Fitch has assigned Huai An Traffic Holdings Co. Ltd. (Huai An) "BB+" issuer default ratings with a stable outlook with the rating linked to Fitch's internal assessment of the creditworthiness of Huai'an municipality, 100% owner of Huai An and the company's strategic importance to the municipality.

Credit Headlines:

Swissco Holdings Ltd. ("SWCH"): SWCH has disclosed the details shared to bondholders during the informal bondholder meeting held on 10/10/16. Key details include SWCH informing bondholders that SWCH will be unable to make payment on the coupon due on 16/10/16 (as first reported in the Straits Times). It is however able to fund current operations based on current cash, revenue from existing businesses and possible asset disposals. Some business updates were provided as well. Aside from the 4 drilling rigs that are currently off-charter, SWCH disclosed that the 3 drilling rigs that are currently on charter (these are in a JV with Ezion Holdings) were not receiving payments from the charterer. In addition, of the two accommodation rigs that are currently chartered, one rig (held in JV with Union Offshore) is on charter but the charter fee payment is in default. SWCH also stated that it had an informal standstill agreement with its bank lenders. Bondholders were invited to form an informal steering committee to work with SWCH and E&Y on a mutually agreeable restructuring plan. The next informal meeting with bondholders will be held in 4 weeks. We expect that E&Y would be able to provide tentative terms of a restructuring plan by then. As it stands, the next meeting will be around the time SWCH publishes its 3Q2016 results. In a separate filing, SWCH disclosed that it is currently seeking USD26.1mn in claims from Tyloo Investment Group for charter fees due (to SWCH's Star Excellence JV) as well as USD5.2mn in refunds from two Chinese shipyards over vessel contracts that were delayed by the shipyards. SWCH also disclosed the USD 1.7mn in claims by X-Drill to SWCH's JV and subsidiaries holding the four non-Ezion JV drilling rigs. (SGX, OCBC)

Gallant Venture Ltd. ("GALV"): GALV announced yesterday evening that the Singapore Accounting and Corporate Regulatory Authority ("ACRA") had issued an Advisory Letter to the board which requires the company to re-state and re-audit the company's consolidated financial statements for FY2014 and FY2015. ACRA has also issued warning letters in relation to non-compliance with certain accounting standards. The Company has stated that these issues arose mainly due to application of relevant Financial Reporting Standards which requires judgment and that the company (i) intends to voluntarily comply with the Advisory Letter (ii) currently in discussions with its auditors and (iii) expects further discussions with ACRA. Based on the most recent unaudited financial statements for the period ended 30 June 2016, we calculate the company's unadjusted Net Tangible Assets ("NTA") at SGD1.2bn. GALV's actual covenants carve out its Indonesia vehicle financing business (ie: calculation based on covenants could be lower than SGD1.2bn given that the vehicle financing business is profitable). We are of the view that the matters raised by ACRA pertain to accounting issues and does not fundamentally change our views on the company's credit risks as highlighted. However, this announcement adds another layer of complexity in assessing the actual profitability of GALV (which affects NTA) and as such, we are unable to determine whether or not the company will meet its covenants post the re-statement and re-audit. In the event that this will cause covenant breach, the company will likely convene a consent solicitation exercise for bondholders to decide on a proposed change in terms. We are lowering the bonds to Underweight and maintain our Negative issuer profile on the company. (Company, OCBC)

Credit Headlines:

Soilbuild Business Space REIT (“SBREIT”): SBREIT reported its 9MFY2016 results yesterday. 9MFY2016 gross revenue was relatively flat at SGD59.4mn (9MFY2015: SGD58.9mn) while Net Property Income (“NPI”) increased 3.0% to SGD51.8mn. During 3Q2016, the REIT reported a 4.7% decline in gross revenue to SGD19.7mn and 2.9% decline in NPI to SGD17.8mn against 3Q2015. However, against the immediately preceding quarter, SBREIT’s 3Q2016 gross revenue and NPI was relatively flat, due to the contribution of Bukit Batok Connection (acquired in end-Sept 2016). SBREIT is still able to recognize revenue from Technics and have successfully drawn down on its security deposit in May 2016, however, the building is currently unoccupied. Taking out the effect of 72 Loyang Way, we find 3Q2016 gross revenue to be SGD17.8mn. Aggregate leverage at SBREIT remains stable at 36%. Portfolio occupancy was 94.2% (excluding the newly acquired Bukit Batok Connection). To date, no definitive agreements have been entered into with regards to 72 Loyang Way, though we understand the REIT is in discussions with various parties. We are of the view that Moody’s will uplift SBREIT’s negative outlook back to neutral when Technics Building’s tenancy is resolved. We continue to view SBREIT’s credit profile as defensive and maintain our Neutral issuer profile. (Company, OCBC)

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Co.Reg.no.:193200032W