

October 14, 2016

Credit Headlines (Page 2 onwards): First Sponsor Group Ltd., Gallant Venture Ltd., Olam International Ltd., Ezra Holdings Ltd.

Market Commentary: The SGD swap curve flattened yesterday with swap rates on the shorter ends (<2Y) traded 1-2bps higher while the swap rates across the rest of the tenors traded 1-4bps lower. Flows in the SGD corporates were heavy with better selling seen in UCGIM 5.5%'23s while mixed interest were seen in UOBSP 4%'49s, STANLN 4.4%'26s and BAERVX 5.9%'49s. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 205bps while the yield on JACI HY corporates decreased 1bps to 6.56%. 10y UST yield decreased 3bps to 1.74% amid treasury gains in most developed markets sparked by weak Chinese export data which weighed on stocks.

New Issues: Modern land (China) Co. Ltd. priced a USD350mn 3-year bond at 6.875%, tightening from its initial guidance at 7.125%. The expected issue ratings are "NR/B2/B+". Export-Import bank of Malaysia Berhad priced a USD500mn 5-year bond at CT5+120bps, tightening from its initial guidance at CT5+140bps. The expected issue ratings are "NR/A3/A-". China Construction Bank Corp. has priced a USD700mn 5-year bond at CT5+107.5bps, tightening from its initial guidance at CT5+130bps. The expected issue ratings are "A/A1/NR". Julius Baer Group Ltd. priced a SGD325mn perpetual AT1, non-callable for 5.5-year bond at 5.75%, tightening from its initial price guidance at 6%. The expected issue ratings are "NR/Baa3/NR". International Container Terminal Services Inc. priced a USD375mn Perpetual bond at 5%, tightening from its initial guidance at 5.25%. Export-Import Bank of Korea priced a 4-tranche deal with the USD750mn 3-year bond priced at CT3+60bps, USD750mn 3-year bond priced at 3mL+46bps, USD300mn 5-year bond priced at CT5+70bps and USD700mn 10-year bond priced at CT10+70bps. The expected issue ratings are "AA/Aa2/AA-". Shanxi Road and Bridge Construction Group Co. Ltd. has commenced investor meetings in Hong Kong, Singapore and London from today for a potential USD bond.

Table 1: Key Financial Indicators

	14-Oct	1W chg (bps)	1M chg (bps)		14-Oct	1W chg	1M chg
iTraxx Asiax IG	118	3	4	Brent Crude Spot (\$/bbl)	52.01	0.15%	13.44%
iTraxx SovX APAC	35	2	-4	Gold Spot (\$/oz)	1,257.09	0.00%	-4.98%
iTraxx Japan	55	-1	1	CRB	189.14	0.19%	5.38%
iTraxx Australia	105	0	5	GSCI	375.81	0.79%	8.47%
CDX NA IG	76	2	-1	VIX	16.69	28.48%	-7.99%
CDX NA HY	104	0	1	CT10 (bp)	1.748%	3.00	5.05
iTraxx Eur Main	75	1	5	USD Swap Spread 10Y (bp)	-16	0	1
iTraxx Eur XO	337	4	8	USD Swap Spread 30Y (bp)	-56	0	0
iTraxx Eur Snr Fin	101	2	10	TED Spread (bp)	54	-1	4
iTraxx Sovx WE	21	-1	-4	US Libor-OIS Spread (bp)	41	-1	0
iTraxx Sovx CEEMEA	95	4	-11	Euro Libor-OIS Spread (bp)	3	-2	-2
					14-Oct	1W chg	1M chg
				AUD/USD	0.756	-0.24%	1.27%
				USD/CHF	0.987	-0.94%	-1.36%
				EUR/USD	1.104	-1.40%	-1.83%
				USD/SGD	1.385	-0.83%	-1.53%
Korea 5Y CDS	41	1	-1	DJIA	18,099	-0.93%	0.36%
China 5Y CDS	105	0	4	SPX	2,133	-1.31%	0.32%
Malaysia 5Y CDS	122	4	-1	MSCI Asiax	541	-2.90%	0.09%
Philippines 5Y CDS	121	3	26	HSI	23,031	-3.18%	-0.69%
Indonesia 5Y CDS	154	5	8	STI	2,805	-2.76%	-0.14%
Thailand 5Y CDS	106	23	22	KLCI	1,665	-0.10%	0.22%
				JCI	5,340	-1.27%	3.78%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Oct-16	Modern Land China Co. Ltd.	"NR/B2/B+"	USD350mn	3-year	6.875%
13-Oct-16	Export-Import of Malaysia	"NR/A3/A-"	USD500mn	5-year	CT5+120bps
13-Oct-16	China Construction Bank Corp.	"A/A1/NR"	USD700mn	5-year	CT5+107.5bps
13-Oct-16	Julius Baer Group Ltd.	"NR/Baa3/NR"	SGD325mn	Perp-NC5.5	5.75%
13-Oct-16	International Container Terminal	"NR/NR/NR"	USD375mn	Perpetual	5%
13-Oct-16	Export-Import Bank of Korea	"AA/Aa2/AA-"	USD750mn	3-year	CT3+60bps
13-Oct-16	Export-Import Bank of Korea	"AA/Aa2/AA-"	USD750mn	3-year	3mL+46bps
13-Oct-16	Export-Import Bank of Korea	"AA/Aa2/AA-"	USD300mn	5-year	CT5+70bps
13-Oct-16	Export-Import Bank of Korea	"AA/Aa2/AA-"	USD700mn	10-year	CT10+70bps

Source: OCBC, Bloomberg

Rating Changes: S&P assigned Shanxi Road and Bridge Construction Group Co. Ltd. (SXR) a “BB” corporate credit rating with a stable outlook. The rating reflects primarily on the credit strength of the Shanxi provincial government whom is likely to give support if SXR comes under any financial stress. Additionally, the rating also reflects the company’s “b” stand-alone credit profile underpinned by its very high leverage, slim interest coverage, a small but growing toll road portfolio, and its good market position in road construction in its home market. S&P upgraded its corporate credit rating on China Travel Service Holdings Hong Kong Ltd. to “BBB+” from “BBB” with a stable outlook. The rating upgrade reflects the expectation that the company’s leverage will improve following the consolidation of China International Travel Service Group, a company mainly engaged in travel services, and duty-free retailing in China.

Credit Headlines:

First Sponsor Group Ltd. (“FSG”): The company has announced the completion of the share subscription of new shares in FS Dongguan Investment Holdings Limited (“FS Dongguan”), by China Vanke Ltd (“VANKE”) and Regent Land Investment Holdings (“Regent”). FS Dongguan holds the Star of East River Project in Dongguan (Guangdong Province). Henceforth, VANKE and Regent collectively holds 70% in FS Dongguan while FSG holds the remaining 30%, allowing the company to still participate in the project upside. (Company, OCBC)

Gallant Venture Ltd. (“GALV”): As part of its disposal of its investment in the Lao Xi Men project in Shanghai, GALV is due to receive another SGD260mn by April 2017. GALV’s CFO, in a media report, shared that the company is negotiating for standby banking facilities in case of delays in collection. The CFO further added that in principle, the buyer has agreed to remit the lump sum by the end of the year. While we see this as a positive signal from the company, we continue to maintain our Negative issuer profile and are Underweight on the bonds, until such time we have further certainty on the company’s liquidity situation. (Business Times, OCBC)

Olam International Ltd. (“OLAM”): OLAM has secured a revolving credit facility aggregating USD2bn (SGD2.76bn). The facility comprises of three tranches of which proceeds will go towards the refinancing of existing syndicated and bilateral loans of the company. We see this as a credit positive as the revolving credit facility is a more optimal structure against the company’s heavy working capital needs. All things held equal, this replacement debt is likely to reduce OLAM’s interest expense burden. We maintain our Neutral issuer profile on the company. (Company, OCBC)

Ezra Holdings Ltd. (“EZRA”): As a result of Perisai Petroleum Teknologi (PPT)’s default on its corporate bonds, this has resulted in cross default of PPT’s loan facilities. As a result of a query by KLSE, PPT disclosed these affected loan facilities, which include some term loans held in JV with Emas Offshore (the partially listed OSV subsidiary of EZRA). The three affected JVs are Intan Offshore (L) Ltd, SJR Marine (L) Ltd and Emas Victoria (L) Bhd. We are currently reviewing the situation. (KLSE, OCBC)

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