

October 17, 2016

Credit Headlines (Page 2 onwards): Marco Polo Marine Ltd.

**Market Commentary:** The SGD swap curve steepened last Friday with swap rates trading 1-6bps lower across all tenors with the exception of overnight swap rate that traded 13bps higher. Flows in the SGD corporates were heavy with better selling seen in BAERVX 5.9%'49s and GENSSP 5.13%'49s. Meanwhile we also saw mixed interests in BAERVX 5.75%'49s and GALVSP 5.9%'17s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 205bps while the yield on JACI HY corporates increased 4bps to 6.60%. 10y UST yield increased 6bps to 1.80% after US retail sales data boosted the case for an interest rate hike this year amidst Yellen's speech that did little to alter this view. Despite not providing any clues on the timing of a hike, Yellen indicated that "the cost of low rates for too long may exceed benefits."

**New Issues:** Standard Chartered PLC has scheduled investor road shows today for a potential Special Drawing Rights ("SDR") 100mn bond issue in Shanghai. Wise Source International has scheduled investor road shows from today onwards for a potential USD bond issue.

**Rating Changes:** S&P revised its outlook on StanCorp Financial Group Inc. to stable from negative. The stable outlook reflects S&P expectation that StanCorp will sustain and enhance its competitive market positions in its key business segments. Moody's downgraded Sunac China Holdings Ltd.'s corporate family rating to "B2" from "B1" and senior unsecured ratings to "B3" from "B2" with a stable outlook. The ratings downgrade reflects Moody's expectation that Sunac's low profitability and weak interest coverage are unlikely to improve materially in the next 12-18 months. Moody's has upgraded Cheung Kong Property Holdings Ltd.'s (CKP) issuer rating to "A2" from "A3" with a stable outlook. The upgrade reflects Moody's expectation that CKP can sustain a strong financial profile that positions it in the "A2" rating over the next 2 years.

Table 1: Key Financial Indicators

	17-Oct	1W chg (bps)	1M chg (bps)		17-Oct	1W chg	1M chg
iTraxx Asiax IG	117	1	7	Brent Crude Spot (\$/bbl)	51.76	-2.60%	13.09%
iTraxx SovX APAC	34	1	-4	Gold Spot (\$/oz)	1,251.53	-0.64%	-4.70%
iTraxx Japan	56	1	4	CRB	189.47	0.49%	4.80%
iTraxx Australia	104	1	6	GSCI	375.63	1.03%	7.91%
CDX NA IG	76	1	1	VIX	16.12	25.55%	4.88%
CDX NA HY	104	0	0	CT10 (bp)	1.796%	7.78	10.33
iTraxx Eur Main	74	1	5	USD Swap Spread 10Y (bp)	-17	-1	0
iTraxx Eur XO	333	3	8	USD Swap Spread 30Y (bp)	-57	-1	-1
iTraxx Eur Snr Fin	99	0	6	TED Spread (bp)	59	3	6
iTraxx Sovx WE	21	0	-4	US Libor-OIS Spread (bp)	41	0	0
iTraxx Sovx CEEMEA	93	2	-7	Euro Libor-OIS Spread (bp)	4	0	0
					17-Oct	1W chg	1M chg
				AUD/USD	0.760	-0.16%	0.81%
				USD/CHF	0.991	-0.82%	-1.05%
				EUR/USD	1.097	-1.54%	-1.86%
				USD/SGD	1.393	-1.29%	-2.23%
Korea 5Y CDS	41	1	1	DJIA	18,138	-0.56%	0.08%
China 5Y CDS	105	1	7	SPX	2,133	-0.96%	-0.29%
Malaysia 5Y CDS	121	3	3	MSCI Asiax	544	-2.50%	0.21%
Philippines 5Y CDS	119	3	23	HSI	23,233	-3.00%	-0.44%
Indonesia 5Y CDS	152	2	12	STI	2,815	-2.09%	-0.43%
Thailand 5Y CDS	100	17	19	KLCI	1,659	-0.38%	0.36%
				JCI	5,400	0.42%	2.51%

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:** Moody's revised its outlook on Newcrest Finance Pty Ltd.'s "Baa3" issuer rating to positive from stable. The revision reflects the material debt reduction the company has achieved on the back of higher than expected gold prices. Continued strong all-in sustaining cost levels has allowed the company to achieve strong leverage metrics for the rating and improve its liquidity profile. Fitch has affirmed the long-term issuer default rating and senior unsecured rating of Crown Resorts Ltd (Crown) at "BBB" with a stable outlook. At the same time, all ratings have been removed from Rating Watch Negative. The affirmation of ratings reflect a review of Crown's proposed demerger of some of its international investments and its revised dividend policy to 100% of net profit after tax. Fitch believed that the strength of Crown's Australian assets counterbalances the increased geographic concentration resulting from the proposed demerger. Fitch has affirmed Standard Chartered PLC and Standard Chartered Bank long-term issuer default rating at "A+" and downgraded their viability ratings to "a" from "a+". The outlook has been revised to stable from negative. The downgrade of the bank's Viability Ratings reflects the consolidated group's weakened intrinsic strength, characterised by a high level of non-performing loans and a softer outlook for capital generation. The affirmation of the long term issuer default rating reflects that the rise of defaulting on senior obligations is lower than the risk of Standard Chartered PLC and Standard Chartered Bank defaulting due to the presence of a significant junior debt buffer.

## **Credit Headlines:**

**Marco Polo Marine Ltd. ("MPM"):** MPM has successfully completed its consent solicitation to restructure its bonds maturing in October. The key terms include the extension of the bond for 3 years to October 2019. In exchange, there will be a step-up of 150bps for the coupon. Collateral will also be provided, with shipyard assets in Indonesia pledged to bondholders. Specifically, first ranking mortgage on HGB No.226/Sungai Pelunggut (valued at SGD9.6mn) and second ranking mortgage on HGB No.225/Sungai Pelunggut (valued at SGD21.9mn) will be provided as collateral. Other terms include the removal of certain financial covenants as well as waiver to existing technical defaults. OCBC does not currently cover MPM. (Company)

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