# Asian Credit Daily

OCBC Bank

**November 21, 2016**

**Credit Headlines (Page 2 onwards):** Ezra Holdings Ltd., CMA CGM (acquired Neptune Oriental Lines)

**Market Commentary:** The SGD swap curve bear-steepened last Friday with swap rates trading mostly 3-11bps higher across all tenors. This was in line with the supportive economic data released last Friday that strengthened the case for raising interest rates in December, with the market more or less pricing in fully the case for a hike (98% as of Friday). Flows in the SGD corporates were moderate with better buying seen in SIASP 3.13%'26s and SOCGEN 4.3%'26s while mixed interest was seen in ABNANV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates decreased 2bps to 201bps while the yield on JACI HY corporates increased 8bps to 6.91%. 10y UST yield decreased 5bps to 2.35%.

**New Issues:** Changsha Pilot has scheduled investor meetings from 21 November onwards for a potential USD bond issue with expected issue ratings of "BBB-/NR/BBB-". China Energy Reserve and Chemicals Group International Holding Ltd. has priced a USD265mn 3-year bond at 6.25% last Friday.

**Rating Changes:** S&P assigned a "BB-" corporate credit rating to India-based Jubilant Pharma Ltd. (JPL) with a stable outlook. At the same time, a "BB-" issue rating was also assigned to its USD senior unsecured notes. The rating reflects the company's exposure to the highly competitive and regulated generic pharmaceuticals market, modest size, and limited product pipeline. Its presence in niche segments, limited competition, fair profitability, limited investment needs, and commitment to deleverage with internal cash flows strengthen its credit profile. Fitch assigned Changsha Pilot Investment Holding Group (Changsha Pilot) "BBB-" issuer default ratings with a stable outlook. Fitch also assigned Changsha Pilot's proposed senior unsecured USD notes with a "BBB-" rating. Changsha Pilot's ratings are credit-linked to the internal assessment of the creditworthiness of Changsha Municipality. The ratings reflect strong control and oversight by the government (with majority and controlling ownership of Changsha Pilot) which indicate a strong level of support, if needed.

**Table 1: Key Financial Indicators**

| | 21-Nov | 1W chg (bps) | 1M chg (bps) | | 21-Nov | 1W chg | 1M chg |
|---|---|---|---|---|---|---|---|
| iTraxx Asiax IG | 130 | -5 | 14 | Brent Crude Spot ($/bbl) | 47.32 | 6.50% | -8.61% |
| iTraxx SovX APAC | 45 | -1 | 11 | Gold Spot ($/oz) | 1,209.11 | -1.00% | -4.53% |
| iTraxx Japan | 57 | -1 | 0 | CRB | 183.14 | -0.11% | -3.31% |
| iTraxx Australia | 114 | -2 | 10 | GSCI | 359.71 | 2.42% | -4.28% |
| CDX NA IG | 77 | -1 | 3 | VIX | 12.85 | -12.82% | -3.67% |
| CDX NA HY | 104 | 1 | -1 | CT10 (bp) | 2.348% | 8.62 | 61.29 |
| iTraxx Eur Main | 82 | 3 | 11 | USD Swap Spread 10Y (bp) | -15 | -3 | 1 |
| iTraxx Eur XO | 349 | -1 | 29 | USD Swap Spread 30Y (bp) | -56 | -1 | 0 |
| iTraxx Eur Snr Fin | 109 | 5 | 15 | TED Spread (bp) | 48 | 5 | -7 |
| iTraxx Sovx WE | 22 | 0 | 4 | US Libor-OIS Spread (bp) | 34 | -2 | -5 |
| iTraxx Sovx CEEMEA | 104 | -3 | 10 | Euro Libor-OIS Spread (bp) | 4 | 0 | 0 |
| | | | | | **21-Nov** | **1W chg** | **1M chg** |
| | | | | AUD/USD | 0.734 | -2.90% | -3.59% |
| | | | | USD/CHF | 1.009 | -1.11% | -1.55% |
| | | | | EUR/USD | 1.061 | -1.23% | -2.56% |
| | | | | USD/SGD | 1.426 | -0.76% | -2.22% |
| Korea 5Y CDS | 52 | -3 | 11 | DJIA | 18,868 | 0.11% | 3.98% |
| China 5Y CDS | 122 | -3 | 15 | SPX | 2,182 | 0.81% | 1.90% |
| Malaysia 5Y CDS | 173 | 5 | 50 | MSCI Asiax | 515 | 0.23% | -6.15% |
| Philippines 5Y CDS | 133 | -2 | 16 | HSI | 22,344 | -0.83% | -4.41% |
| Indonesia 5Y CDS | 182 | -15 | 31 | STI | 2,839 | 0.85% | 0.27% |
| Thailand 5Y CDS | 94 | -5 | -3 | KLCI | 1,624 | -0.64% | -2.77% |
| | | | | JCI | 5,170 | -1.18% | -4.42% |

*Source: OCBC, Bloomberg*

**Table 2: Recent Asian New Issues**

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|---|---|---|---|---|---|
| 17-Nov-16 | China Energy and C hemical Group | "NR/NR/NR" | USD265mn | 3-year | 6.25% |
| 16-Nov-16 | Fosun International (Re-Tap) | "BB/NR/NR" | USD290mn | 5.5%'23s | 5.35% |
| 16-Nov-16 | Australia & New Zealand Banking Group | "AA-/Aa2/NR" | USD900mn | 3-year | CT3+80bps |
| 16-Nov-16 | Australia & New Zealand Banking Group | "AA-/Aa2/NR" | USD850mn | 5-year | CT5+90bps |
| 16-Nov-16 | Australia & New Zealand Banking Group | "AA-/Aa2/NR" | USD850mn | 3-year | 3mL+66bps |
| 16-Nov-16 | Australia & New Zealand Banking Group | "AA-/Aa2/NR" | USD400mn | 5-year | 3mL+87bps |
| 15-Nov-16 | Housing & Development Board | "NR/Aaa/NR" | SGD900mn | 5-year | 2.2% |
| 15-Nov-16 | Doosan Infracore Co. | "AA/NR/NR" | USD300mn | 3-year | CT3+115bps |
| 15-Nov-16 | China Huarong Asset Management | "BBB+/NR/A" | USD1bn | 5-year | CT3+170bps |

*Source: OCBC, Bloomberg*

**Credit Headlines:**

**Ezra Holdings Ltd. ("EZRA")**: It was announced by Perisai Petroleum Teknologi ("PPT", associate company of Ezra's) that it has applied to the Corporate Debt Restructuring Committee ("CDRC"), a platform by the Malaysian Government to help support corporate debt restructuring, and received CDRC's assistance. As a result, a CDRC letter was sent to various creditors, with the creditors to observe an informal standstill. PPT has 60 days to submit a proposal for debt restructuring scheme and CDRC will then call a meeting to mediate between all parties. The situation would likely drag on EZRA's own restructuring, delaying the cleaning up of EZRA's balance sheet further. (Company, OCBC)

**CMA CGM (acquired Neptune Oriental Lines, "NOL")**: CMA CGM reported 3Q2016 results, the first quarter reflecting NOL's full contribution to CMA CGM's results (2Q2016 only included roughly 2 weeks contribution to the income statement due to when the transaction closed). Revenue increased by 12.3% y/y to USD4.47bn, largely due to the NOL acquisition, with volumes shipped increasing ~36% to 4.5 million TEU. Excluding contribution from NOL, shipping volumes slipped 2.7%% y/y to 3.2 million TEU. Freight rate pressure continued due to the challenging environment, with average revenue per TEU down 13.9% y/y (excluding NOL's performance), but seeing an improvement of 3.8% q/q. The improvements in top line allowed CMA CGM to see a q/q improvement in EBITDA to USD71.8mn (2Q2016: USD23.3mn). However, after factoring depreciation (USD170.7mn) and financing costs (USD145.2mn) which were driven higher due to the NOL acquisition (larger fleet, financing of the acquisition), CMA CGM generated a loss of USD258.9mn. The firm generated an operating cash outflow of USD53.7mn (including interest service) as well as spent USD56.0mn in capex. The firm also spent USD191.7mn on NOL acquisition related transaction costs. The cash outflow was in part funded by USD562.9mn in asset divestments (a USD580mn container sale and lease back transaction). The quarter also saw CMA CGM pay down ~USD214mn in net borrowings. Due to the net losses generated during the quarter, net gearing inched higher q/q from 158% to 170%. That said CMA CGM continues to deleverage, having completed a USD260mn receivables securitization program at the end of the quarter, as well as completing a USD880mn sale and leaseback transaction involving 11 vessels in 4Q2016. As such, the bridge financing used to acquire NOL was completely paid down ahead of maturity. We continue to believe that CMA CGM will focus on deleveraging in the near future. We are currently reviewing NOL's Issuer Profile of Neutral and will update accordingly if required. (Company, OCBC)

**Andrew Wong**
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

**Nick Wong Liang Mian, CFA**
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

**Ezien Hoo, CFA**
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

**Wong Hong Wei**
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com