

November 22, 2016

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

Market Commentary: The SGD swap curve traded downwards yesterday as swap rates traded 1-4bps lower across all tenors. Flows in the SGD corporates were relatively muted with no significant activity seen. In the broader dollar space, the spread on JACI IG corporates was steady at 201bps while the yield on JACI HY corporates also remained unchanged at 6.91%. 10Y UST yield decreased 4bps to 2.3%.

New Issues: CMB Financial Leasing has priced a two-tranche deal with the USD300mn 3-year bond at CT3+140bps, tightening from its initial guidance at CT3+155bps. The USD900mn 5-year bond was priced at CT5+152.5bps, tightening from its initial guidance at CT5+175bps. The expected issue ratings are "BBB+/Baa1/NR". Industrial and Commercial Bank of China Ltd., London Branch has priced a USD500mn 3-year bond at 3mL+87.5bps, tightening from its initial guidance at 3mL+110bps. The expected issue ratings are "NR/A1/NR". Shougang Corp has mandated banks for a potential USD bond issue. China National Chemical Corp. has scheduled investor road shows from 22 November onwards for a potential USD bond issue with expected issue ratings of "BBB/Baa2/BBB+". Hong Kong Airlines has also scheduled investor road shows from 22 November for a potential USD perpetual bond issue.

Rating Changes: S&P affirmed Swire Pacific Ltd.'s "A-" credit rating, and indicated that Swire Pacific's proposed acquisition has no impact on its rating although the acquisition will potentially lead to higher financial leverage and reduce its buffer against potential further weakness in the aviation and marine services segments. The outlook on the rating remains negative. On the other hand, Moody's revised its outlook on Swire Pacific's "A3" rating to negative with the view that the acquisition of additional beverage bottling territories will increase leverage and delay an improvement in Swire's credit profile, which is at the weak end for its current rating.

Table 1: Key Financial Indicators

	22-Nov	1W chg (bps)	1M chg (bps)		22-Nov	1W chg	1M chg
iTraxx Asiax IG	128	3	13	Brent Crude Spot (\$/bbl)	48.90	10.06%	-5.56%
iTraxx SovX APAC	44	1	11	Gold Spot (\$/oz)	1,217.18	-0.94%	-3.74%
iTraxx Japan	57	--	1	CRB	187.31	3.91%	-1.10%
iTraxx Australia	113	3	10	GSCI	370.55	5.94%	-1.39%
CDX NA IG	76	2	2	VIX	12.42	-14.23%	-6.90%
CDX NA HY	104	0	-1	CT10 (bp)	2.298%	7.87	56.29
iTraxx Eur Main	81	4	11	USD Swap Spread 10Y (bp)	-17	-3	0
iTraxx Eur XO	344	4	28	USD Swap Spread 30Y (bp)	-57	-1	-1
iTraxx Eur Snr Fin	109	8	17	TED Spread (bp)	48	5	-7
iTraxx Sovx WE	22	1	4	US Libor-OIS Spread (bp)	34	-2	-6
iTraxx Sovx CEEMEA	101	-2	8	Euro Libor-OIS Spread (bp)	4	0	0
					22-Nov	1W chg	1M chg
				AUD/USD	0.738	-2.42%	-3.09%
				USD/CHF	1.008	-0.61%	-1.43%
				EUR/USD	1.064	-0.80%	-2.26%
				USD/SGD	1.422	-0.58%	-2.00%
Korea 5Y CDS	51	1	11	DJIA	18,957	0.47%	4.47%
China 5Y CDS	120	4	15	SPX	2,198	1.57%	2.66%
Malaysia 5Y CDS	168	15	48	MSCI Asiax	515	0.16%	-6.27%
Philippines 5Y CDS	128	3	15	HSI	22,358	0.61%	-4.35%
Indonesia 5Y CDS	177	-1	28	STI	2,817	1.05%	-0.51%
Thailand 5Y CDS	93	0	-3	KLCI	1,627	0.66%	-2.56%
				JCI	5,148	0.64%	-4.82%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
21-Nov-16	CMB Financial Leasing	"BBB+/Baa1/NR"	USD300mn	3-year	CT3+140bps
21-Nov-16	CMB Financial Leasing	"BBB+/Baa1/NR"	USD900mn	5-year	CT5+152.5bps
21-Nov-16	Industrial & Commercial Bank of China	"NR/A1/NR"	USD500mn	3-year	3mL+87.5bps
17-Nov-16	China Energy and Chemical 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

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's has placed all ratings on Swiss-based building materials manufacturer LafargeHolcim Ltd. and its subsidiaries on review for downgrade. The rating action follows the announcement made by the group to increase its dividend pay-out and to implement share buybacks at a time when Moody's views its credit metrics as already weak for its current rating. Fitch assigned Shougang Corp. an issuer default rating of "A-" with a stable outlook. The key rating driver behind the rating assignment is the company's strong linkage with the Beijing municipality and the municipality's creditworthiness, which indicate a strong level of financial support, if needed. Fitch also lowered the issuer default rating on STATS ChipPAC Pte Ltd one notch to "B+" with no further details provided.

Credit Headlines:

Pacific Radiance Ltd. ("PACRA"): PACRA's 50% JV, CA Offshore Investment Inc, has issued two notices of arbitration against two shipyards over two shipbuilding contracts. PACRA had originally ordered two PSVs in December 2013 (and novated the order to its JV), but had rescinded the contract due to the failure of the two shipyards in delivering the PSVs according to their obligations under the shipbuilding contract. As such, PACRA's JV is seeking for the refund of pre-delivery installments made to the shipyards, totally USD5,550,000 plus interest. It is worth noting that PACRA had earlier rescinded two other PSV contracts by the same two shipyards in June this year, and had received the returned installments paid in September. We consider the contract rescission to be credit positive for PACRA as it would reduce PACRA's committed capex, as well as provide some liquidity from the return of the installments paid. (Company, OCBC)

Swissco Holdings Ltd. ("SWCH"): SWCH has formally filed for judicial management on 21/11/16. The next step would be the appointment of an Interim Judicial Manager. This follows SWCH's 3Q2016 results release last week, as well as SWCH's indication that it had reached an impasse with its major lenders and was unable to get an agreement on the terms of the restructuring plan. The last time SWCH met with bondholders as a group would be during the second informal bondholders' meeting on the 24/10/16. (Company)

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W