

September 23, 2016

Credit Headlines (Page 2 onwards): CK Hutchison Holdings Ltd., Rickmers Maritime Trust, Marco Polo Marine Ltd

Market Commentary: The SGD dollar swap curve traded downward yesterday with swap rates trading 1-9bps lower across all tenors as the US dollar fell following FOMC's decision to hold interest rates steady. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s while mixed interests were seen in SCISP 4.75%'49s, ANZ 3.75%'27s, FCLSP 4.88%'49s and OLAMSP 4.25%'19s. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 201bps while the yield on JACI HY corporates decreased 7bps to 6.43%. 10y UST yield decreased 3bps to 1.62%.

New Issues: UOL Treasury Services Pte. Ltd. has priced a SGD240mn 4-year bond at 2.5%. Korea Housing Finance has mandated banks for a potential 5-year USD bond issue with expected ratings of "NR/Aa1/NR". China Cinda Asset Management has also hired banks for a planned USD AT1 preference share issue. The issue is expected to be rated "NR/B1/NR".

Rating Changes: S&P revised its outlook on the State of South Australia's "AA" credit rating to positive from stable. The revision reflects S&P view that South Australia may maintain the improvement in its liquidity coverage over the next two-to-three years should it keep to it recently revised financial strategy. At the same time, South Australian Government Financing Authority's (SAFA) "AA" credit rating outlook was also revised to positive from stable, reflecting the expectation that SAFA's role will remain critical and its link integral to the state.

Table 1: Key Financial Indicators

	23-Sep	1W chg (bps)	1M chg (bps)		23-Sep	1W chg	1M chg
iTraxx Asiax IG	116	2	4	Brent Crude Spot (\$/bbl)	47.65	2.28%	-3.07%
iTraxx SovX APAC	31	-8	-11	Gold Spot (\$/oz)	1,337.82	2.10%	0.02%
iTraxx Japan	59	6	6	CRB	186.32	3.13%	-1.09%
iTraxx Australia	104	5	3	GSCI	358.89	2.69%	-2.22%
CDX NA IG	76	0	5	VIX	12.02	-26.26%	-2.91%
CDX NA HY	105	1	0	CT10 (bp)	1.620%	-7.26	7.42
iTraxx Eur Main	69	-3	1	USD Swap Spread 10Y (bp)	-16	1	-1
iTraxx Eur XO	322	-15	9	USD Swap Spread 30Y (bp)	-55	1	-1
iTraxx Eur Snr Fin	98	2	7	TED Spread (bp)	66	13	14
iTraxx Sovx WE	24	-2	-1	US Libor-OIS Spread (bp)	43	2	4
iTraxx Sovx CEEMEA	81	-23	-35	Euro Libor-OIS Spread (bp)	4	0	-2
					23-Sep	1W chg	1M chg
				AUD/USD	0.765	2.11%	0.45%
				USD/CHF	0.969	1.19%	-0.58%
				EUR/USD	1.121	0.50%	-0.83%
				USD/SGD	1.356	0.91%	-0.32%
Korea 5Y CDS	39	-2	-3	DJIA	18,392	0.99%	-0.83%
China 5Y CDS	103	2	2	SPX	2,177	1.39%	-0.44%
Malaysia 5Y CDS	123	1	5	MSCI Asiax	560	3.14%	2.72%
Philippines 5Y CDS	105	6	19	HSI	23,760	2.45%	3.31%
Indonesia 5Y CDS	143	-3	5	STI	2,846	1.45%	-0.15%
Thailand 5Y CDS	84	0	1	KLCI	1,670	0.50%	-0.80%
				JCI	5,380	2.17%	-0.68%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
22-Sep-16	UOL Treasury Services Pte. Ltd.	"NR/NR/NR"	SGD240mn	4-year	2.5%
20-Sep-16	Lippo Mall Trust	"NR/Baa3/NR"	SGD140mn	Perp-NC5	7%
20-Sep-16	Country Garden Holdings Co. Ltd.	"NR/Ba1/BB+"	USD650mn	7NC4	5%
20-Sep-16	Woori Bank	"BB+/Ba3/NR"	USD500mn	Perp-NC5	4.5%
16-Sep-16	Ascendas Hospitality Trust	"NR/NR/NR"	SGD70mn	6-year	3.325%
15-Sep-16	Transurban Group	"NR/Baa1/A-"	USD550mn	10-year	CT10+175bps
14-Sep-16	State Bank of India	"B+/B1/NR"	USD300mn	Perp-NC5	5.5%
14-Sep-16	Hon Hai Precision Industry Co. Ltd.	"A-/NR/NR"	USD600mn	5-year	CT5+110bps

Source: OCBC, Bloomberg

Credit Headlines:

CK Hutchison Holdings Ltd (“CKHH”): CKHH's 76%-owned subsidiary Cheung Kong Infrastructure Holdings Limited (“CKI”) is reportedly leading a consortium to bid for a 51% stake in the gas distribution business of National Grid. National Grid is a UK-based utility company listed on the London Stock Exchange. 100% of the gas distribution business (including debt) may fetch a value of GBP10-11bn (~USD13-14 bn), implying that a 51%-stake could be valued at USD7bn. As at 30 June 2016, CKHH's total assets were USD137bn, of which cash balances was ~USD20bn (against short term debt of USD8.7bn). Net debt-to-equity as at 30 June 2016 is manageable at 0.33x and relatively constant against end-December 2015 levels. In light of the relatively small scale of the acquisition (vis-à-vis total asset base) and strong financial flexibility at CKHH, we view the possible transaction to be credit neutral. (Financial Times, OCBC)

Rickmers Maritime Trust (“RMT”): After the initial bond restructuring proposal made on 07/09/16, RMT has gotten back to bondholders with a revised offer. Rather than receiving SGD28mn in convertible perpetual securities in exchange for the SGD100mn in bonds, the revised proposal would instead swap the SGD100mn in bonds for 1.32bn in new units of RMT, priced at SGD0.045474 (the stock closed at SGD0.052 on 21/09/16), with the bondholders controlling 60% of the enlarged share base. The new units would total ~SGD60mn in value for bondholders. The balance SGD40mn in bonds will be extended till November 2023 (6.5 year extension) and the coupon slashed from 8.45% to 2.7% (till Nov 2019 and 50bps increments for each year till maturity, ending at a coupon of 5.2%). Due to the dilution of existing unitholders, an EGM will have to be held to approve the proposed restructuring. The sponsor of RMT, Rickmers Group (34.2% of units in RMT), has indicated that they will be providing an undertaking to vote in favour of the restructuring. As such, for the EGM to go through, a further ~17% of unitholders need to vote in favour of the restructuring. The Trustee-Manager has warned that in the event that unitholders or bondholders do not approve the revised proposals, given RMT's difficulty in meeting near-term debt obligations, RMT may fall into default and be unable to operate on a going concern basis. In this scenario, the Trustee-Manager may propose to wind up RMT. In our view, the revised terms of the bond restructuring are superior to the initial proposal, with bondholders obtaining the majority share ownership in RMT post restructuring, while the Rickmers Group remains the largest unitholder. The restructuring is targeted to be completed by November. OCBC does not currently cover RMT. (Company, OCBC)

Marco Polo Marine Ltd (“MPM”): MPM has initiated a 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. The vote will be held on 14/10/16. OCBC does not currently cover MPM. (Company)

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