

November 30, 2016

Credit Headlines (Page 2 onwards): China Vanke Ltd., GuocoLand Ltd., ASL Marine, Keppel Corp. Ltd., Ezra Holdings Ltd.

Market Commentary: The SGD swap curve was range-bound yesterday as swap rates traded mostly +/- 1bps across tenors (20Y traded 2bps higher). Flows in the SGD corporates were light with better buying interests seen in GENSSP 5.13% '49s and mixed interests seen in, MFCCN 3.85%. In the broader dollar space, the spread on JACI IG corporates was steady at 200bps while the yield on JACI HY corporates decreased 2bps to 6.89%. 10Y UST yield decreased 2bps to 2.29%. The UST benchmarks may see some volatility given month-end rebalancing.

New Issues: State Power Investment Corp. has priced a two-tranche deal with the USD900mn 5-year bond priced at CT5+130bps while the other tranche of USD300mn 10-year bond was priced at CT10+157.5. The expected issue ratings are "NR/A2/A". China National Chemical Corp. may price a EUR 5-year bond later today. Korea East-West Power Co. Ltd. has scheduled investor meetings from 7 December for potential USD bond issue.

Rating Changes: Moody's has upgraded Bluescope Steel Ltd.'s corporate family rating to "Ba1" from "Ba2" with stable outlook. Additionally, Moody's also upgraded the rating on Bluescope's wholly owned and guaranteed subsidiary, BlueScope Steel (Finance) Ltd. senior unsecured notes to "Ba1" from "Ba2". All ratings outlook are stable. The rating actions reflects the improvements in Bluescope's business profile and Moody's view that earnings and cash flow generation will materially outperform it's previous expectations. In addition, when combined with Bluescope's lower debt levels, have allowed the company to improve its credit metrics to stronger levels.

Table 1: Key Financial Indicators

	30-Nov	1W chg (bps)	1M chg (bps)		30-Nov	1W chg	1M chg
iTraxx Asiax IG	126	-3	8	Brent Crude Spot (\$/bbl)	46.38	-5.58%	-6.70%
iTraxx SovX APAC	44	0	8	Gold Spot (\$/oz)	1,191.02	0.23%	-6.75%
iTraxx Japan	56	-1	-1	CRB	183.98	-1.78%	-1.23%
iTraxx Australia	109	0	5	GSCI	360.00	-2.85%	-2.71%
CDX NA IG	74	0	-5	VIX	12.9	3.86%	-24.38%
CDX NA HY	105	0	1	CT10 (bp)	2.291%	-5.88	44.42
iTraxx Eur Main	80	-2	7	USD Swap Spread 10Y (bp)	-17	1	-3
iTraxx Eur XO	339	-7	10	USD Swap Spread 30Y (bp)	-55	3	-1
iTraxx Eur Snr Fin	107	-2	10	TED Spread (bp)	46	-1	-15
iTraxx Sovx WE	23	0	4	US Libor-OIS Spread (bp)	33	0	-5
iTraxx Sovx CEEMEA	100	-1	10	Euro Libor-OIS Spread (bp)	4	0	0
					30-Nov	1W chg	1M chg
				AUD/USD	0.749	1.39%	-1.59%
				USD/CHF	1.012	0.51%	-2.22%
				EUR/USD	1.065	0.95%	-2.99%
				USD/SGD	1.424	0.58%	-2.28%
Korea 5Y CDS	50	-1	8	DJIA	19,122	0.87%	5.40%
China 5Y CDS	118	-1	8	SPX	2,205	0.29%	3.69%
Malaysia 5Y CDS	165	-1	41	MSCI Asiax	525	0.58%	-3.27%
Philippines 5Y CDS	122	-3	6	HSI	22,737	0.26%	-0.86%
Indonesia 5Y CDS	172	-3	17	STI	2,879	2.02%	2.32%
Thailand 5Y CDS	92	--	-4	KLCI	1,627	-0.15%	-2.72%
				JCI	5,137	-1.31%	-5.27%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
29-Nov-16	State Power Investment Corp.	"NR/A2/A"	USD900mn	5-year	CT5+130bps
29-Nov-16	State Power Investment Corp.	"NR/A2/A"	USD300mn	10-year	CT10+157.5bps
28-Nov-16	Loncin Holdings Co.	"NR/A1/NR"	CNH800mn	3-year	4.5%
25-Nov-16	Zhenjiang Cultural Tourism Industry	"NR/NR/NR"	USD230mn	3-year	5.3%
23-Nov-16	Changsha Pilot Investment Holdings	"BBB-/NR/BBB-"	USD350mn	3-year	CT3+220bps
23-Nov-16	Chalico Hong Kong Corp.	"BB/NR/NR"	USD350mn	Perp-NC3	5.7%
23-Nov-16	Horsepower Finance Ltd.	"NR/A1/NR"	USD550mn	3-year	CT3+107.5bps
22-Nov-16	Studio City Co. Ltd.	"BB-/B1/NR"	USD350mn	3-year	5.875%
22-Nov-16	Studio City Co. Ltd.	"BB-/B1/NR"	USD850mn	5NC2	7.25%

Source: OCBC, Bloomberg

Credit Headlines:

China Vanke Ltd. ("VANKE"): China Evergrande Group ("Evergrande")'s direct and indirect shareholding of VANKE has risen to 14.1%, which puts it just ~1% behind the second-largest shareholder, namely, state-owned China Resources Land Ltd. The stakes were purchased through the open market and to date, Evergrande has spent ~SGD7.5bn on its VANKE stake acquisitions. There has been no confirmation as to Evergrande's intent on its VANKE's stake. We continue to hold our issuer rating of VANKE at Neutral but caution selling pressure may intensify on its more liquid USD bonds. (Company, OCBC)

GuocoLand Ltd. ("Guocoland"): Guocoland (via GLL Chengdu Pte Ltd a wholly-owned subsidiary) has won the construction land use rights for plots of land in the Yuzhong District of Chongqing, China from the Chongqing Municipality at a bid price of RMB3.64bn (~SGD752.4mn). The land parcels has an area of ~48,961 sqm with an above ground GFA of 513,600 sqm. The plots are intended for mixed development use, comprising retail, business and residential. To jointly partake in the project, Hong Leong Holdings Limited via a wholly-owned subsidiary ("Hong Leong") will subscribe to new shares in GLL Chengdu Pte Ltd, holding 25% of the enlarged share capital. Two shareholders cum directors on the board of Guocoland are also shareholders of Hong Leong. The initial capital contribution of Hong Leong is estimated at RMB946.5mn (~SGD196mn). Excluding the amounts to be contributed by Hong Leong, Guocoland will need to fund the remaining ~SGD565mn via internal resources. As at 30 September 2016, Guocoland has a cash balance of SGD1.13bn and net debt-to-equity of 0.84x. Earlier in October 2016, we had opined that Guocoland's net debt-to-equity has worsen versus peers and may increase to 0.93x post its expected subscription of 27% stake in Eco World International Berhad (est. SGD180mn) and after paying ~SGD100mn of dividends. Taking into account the latest developments (ie: Chongqing land acquisition and the related infusion of capital from Hong Leong in the project), we estimate that net debt-to-equity will rise further to 1.1x. We will review Guocoland's Neutral issuer profile and update if required.

ASL Marine ("ASL"): ASL has announced that it has appointed United Overseas Bank Ltd ("UOB") as the consent solicitation agent, and that UOB will be engaging with bondholders over tentative restructuring terms, which were publically disclosed in a presentation deck. In summary, ASL is seeking to extend the maturity date of its ASLSP'17s and ASLSP'18s bonds by 3 years. It is also seeking to remove the interest coverage covenant outright as well as to loosen the total debt / total tangible net worth covenant (to 2.0x). In exchange, ASL would step-up the coupon by 50bps per annum as well as pay down 2.5% in principal semi-annually (subject to bank lenders' approvals). A call option is also being proposed, allowing ASL to redeem the bonds a year earlier relative to the new maturity dates. The terms are still tentative, and could change depending on feedback from bondholders. We will await the finalized terms of the CSE and update accordingly. (Company, OCBC)

Keppel Corp Ltd. ("KEP"), Kris Energy Ltd. ("KRIS", 40% owned by KEP): KRIS announced that based on the consents received by the early bird expiration date, as part of its ongoing consent solicitation exercise ("CSE"), KRIS has achieved the quorum required which would make a vote binding. More than 75% of the voting instructions received have been casted in favour of the restructuring proposal (for both KRISSP'17s and KRISSP'18s). As such, there is a high chance that the CSE proposal would go through (the scenario that the CSE fails would be if bondholders that have not voted yet, vote no and thereby pushing the approval percentage below 75%). As a sweetener to incite more bondholders to give approval, KRIS has extended the early bird deadline till 02/12/16, from the original deadline of 29/11/16. Aside from the early bird consent fee of 50bps, no other consent fees will be provided. The day of the actual vote remains 09/12/16. OCBC credit research does not currently cover KRIS. (Company)

Credit Headlines:

Ezra Holdings Ltd. (“EZRA”): EZRA has released its 4QFY2016 results, while its subsidiary, EMAS Offshore (“EMAS”), has restated its 4QFY2016 results as a result of developments in Perisai Petroleum Teknologi Bhd (“PPT”)’s restructuring since EMAS released its. As a result of the various adjustments and impairments done at EMAS, the previously reported net loss at EMAS for 4QFY2016 has widened sharply from USD98.5mn to a revised USD323.5mn net loss. As a result of EMAS, EZRA also reported a net loss to shareholders of USD339.6mn (after excluding minority interest). Several of the losses generated during the quarter are non-cash, such as impairments recognized on EMAS’s stake in PPT, as well as in related JV / associates. EZRA actually managed to generate USD35.9mn in operating cash flow, as well as USD11.4mn in free cash flow. The huge losses recognized have consumed shareholder’s equity (which fell q/q from USD797.8mn to USD378.9mn), causing net gearing to surge from 138% (3QFY2016) to 300% (4QFY2016) even though gross borrowings remained stable. We will be following up with a detailed report reviewing the results given the many adjustments made. (Company, OCBC)

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