

September 7, 2016

Credit Headlines (Page 2 onwards): Ezra Holdings Ltd., Aspiat Corp Ltd., Rickmers Maritime Trust

Market Commentary: The SGD dollar swap curve bull-steepened yesterday. The short term rates (<3Y) traded 2-4bps lower while the middle to long term rates (>5Y) traded 1-2bps lower. Flows in the SGD corporates were light with better buying seen in UOBSP 4%'49s and mixed interests seen in SCISP 4.75%'49s. In the broader dollar space, the spread on JACI IG corporates was relatively unchanged at 195bps while the yield on JACI HY corporates decreased 3bps to 6.41%. 10y UST yield decreased 7bps to 1.54% following the larger-than-forecast drop in August US Non-Manufacturing Index (Actual: 51.4 Vs. Forecast: 54.9, lowest since Feb 2010) further lowered market expectation for interest rate hike in September. Implied probability fell to 24% from 34% a week ago.

New Issues: Cikarang Listrindo has launched a USD550mn 10NC5 bond that is to be priced later today. The initial guidance is at 5% with expected issue ratings of "BB/Ba2/NR". China South City has priced a USD200mn 5NC3 bond at 6.75% (to yield 7%) with expected issue ratings of "B-/NR/B". Korea Development Bank priced a two-tranche deal yesterday with the USD500mn 3-year bond priced at CT3+57.5bps while the other tranche of USD500mn 10-year was priced at CT10+55bps. The expected issue ratings are "AA/NR/AA-".

Rating Changes: Moody's has assigned a "Baa2" rating to the USD5bn medium-term note program to be established by Industrial Bank Co. Ltd. (HK). At the same time, Moody's also assigned a "Baa2" Counterparty Risk Assessment to Industrial Bank Co. Ltd. (Hong Kong) with a negative outlook. The provisional ratings are in line with Industrial Bank's "Baa2" deposit ratings and reflect the structure of the proposed issuance. Fitch downgraded Zoomlion Heavy Industry Science and Technology Co. Ltd.'s issuer default rating to "B-" from "B+" with a stable outlook. The two-notch downgrade reflects the rapid deterioration in Zoomlion's financial profile, with sustained high leverage and poor coverage ratios. The stable outlook reflects the resources and access that Zoomlion still has that Fitch deems to be sufficient to sustain its liquidity.

Table 1: Key Financial Indicators

	7-Sep	1W chg (bps)	1M chg (bps)		7-Sep	1W chg	1M chg
iTraxx Asiax IG	109	-5	-6	Brent Crude Spot (\$/bbl)	47.18	0.30%	6.57%
iTraxx SovX APAC	37	-1	-7	Gold Spot (\$/oz)	1,348.67	3.03%	1.00%
iTraxx Japan	51	-1	-1	CRB	180.90	-1.92%	-0.50%
iTraxx Australia	96	-4	-7	GSCI	348.19	-3.05%	1.80%
CDX NA IG	71	-2	0	VIX	12.02	-7.11%	5.53%
CDX NA HY	105	0	0	CT10 (bp)	1.543%	-3.75	-4.60
iTraxx Eur Main	66	-2	1	USD Swap Spread 10Y (bp)	-15	-1	-4
iTraxx Eur XO	308	-3	0	USD Swap Spread 30Y (bp)	-53	1	-7
iTraxx Eur Snr Fin	84	-6	-2	TED Spread (bp)	51	-1	-3
iTraxx Sovx WE	24	0	1	US Libor-OIS Spread (bp)	39	1	2
iTraxx Sovx CEEMEA	104	-6	-11	Euro Libor-OIS Spread (bp)	4	-1	-1
					7-Sep	1W chg	1M chg
				AUD/USD	0.767	2.05%	0.26%
				USD/CHF	0.970	1.41%	1.26%
				EUR/USD	1.124	0.77%	1.41%
				USD/SGD	1.347	1.16%	-0.01%
Korea 5Y CDS	40	-4	-5	DJIA	18,538	0.19%	-0.03%
China 5Y CDS	95	-6	-9	SPX	2,186	0.28%	0.17%
Malaysia 5Y CDS	115	-6	-13	MSCI Asiax	559	2.96%	4.80%
Philippines 5Y CDS	86	-2	-6	HSI	23,788	3.35%	7.41%
Indonesia 5Y CDS	139	-9	-9	STI	2,897	2.69%	2.42%
Thailand 5Y CDS	80	-4	-9	KLCI	1,690	0.71%	1.56%
				JCI	5,372	0.18%	-0.89%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
7-Sep-16	China South City	"BB/Ba2/NR"	USD200mn	5NC3	6.75%
7-Sep-16	Korea Development Bank	"B-/NR/B"	USD500mn	10-year	CT10+55bps
7-Sep-16	Korea Development Bank	"B-/NR/B"	USD500mn	3-year	CT3+58bps
2-Sep-16	Xi'an Municipal	"NR/NR/BBB"	USD500mn	3-year	2.8%
31-Aug-16	United Overseas Bank Ltd.	"NR/A2/A+"	USD600mn	10-year	CT10+170bps
31-Aug-16	Far East Consortium International	"NR/NR/NR"	USD300mn	5-year	3.75%
31-Aug-16	Haikou Meilan International Airport	"NR/NR/NR"	USD200mn	3-year	5.25%
30-Aug-16	DBS Group Holdings	"NR/A3/BBB"	USD750mn	Perp-NC5	3.6%

Source: OCBC, Bloomberg

Credit Headlines:

Ezra Holdings Limited (“EZRA”): As mentioned previously in July, EZRA was in the process of divesting one of its two FPSOs, the Lewek EMAS. The circular regarding the transaction has been sent, with an EGM scheduled to be held on the 22/09/16 for the approval of the transaction. We expect the transaction to go through, as it would allow EZRA to improve its liquidity via monetizing a non-core asset. EZRA expects to book a gain from the divestment, and receive USD68.9mn in cash as part of the proceeds (the balance of the sale consideration are contingent to future performance of the asset). The transaction will likely be captured in EZRA’s 1QFY2017 quarter (ending November 2016). The same quarter is also expected to see the completion of the NYK transaction. As EZRA’s fiscal year ends in August, we will expect to see its preliminary results around the latter half of October 2016. (OCBC, Company)

Aspial Corp Ltd (“Aspial”): Aspial has announced that it has entered into a AUD200mn facilities agreement via its wholly-owned subsidiary, WCL Southbank (VIC) Pty.Ltd (“WSPL”). WSPL holds the Australia 108 development, which is 95% sold (out of the total of 1,105 residential units). The facility is likely to be used to fund the development of Australia 108. Aspial previously disclosed that construction work commenced in November 2015, and is expected to be completed in 2020. The facility is reflective of Aspial’s ability to access financing, given its strong development pipeline. We however have kept its Issuer Profile at Negative given its high leverage, with net gearing reported at 388% as of end-2Q2016. (Company, OCBC)

Rickmers Maritime Trust (“RMT”): RMT has received a firm offer letter from the HSH syndicate (comprising of HSH Nordbank and DBS Bank), with regards to restructuring its senior debt. The HSH syndicate will be providing a USD260.3mn secured amortizing term loan facility to refinance existing facilities provided by both the HSH syndicate as well as the BNP syndicate (comprising of BNP Paribas, ING Bank, Bank of Nova Scotia, HSBC and SMTB). The new facility would extend the maturities of the bulk of RMT’s secured bank debt to 1Q2021. One of the conditions precedent for the new facility is the restructuring of RMT’s SGD100mn in notes due May 2017 (RICKSP 8.45’17s). RMT is contemplating a debt exchange via a consent solicitation exercise, to exchange the SGD100mn RICKSP 8.45’17s for SGD28mn fixed rate step-up perpetual convertible securities (“convertible perps”). The proposed fixed conversion price would convert into 20% new units of RMT, and is expected to be valued at SGD40mn at issuance. This translates into an implied recovery of 40% based on the SGD100mn notional amount on the existing RICKSP 8.45’17s, though recoveries could be higher should RMT’s units rally in price. RMT intends to engage noteholders in an informal meeting on 15/09/16 to discuss the proposed restructuring. We do not currently cover RMT. (Company, OCBC)

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