

January 11, 2017

Credit Headlines (Page 2 onwards): Ezra Holdings Ltd., Pacific Radiance Ltd., Australia and New Zealand Banking Group Ltd.

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates falling by 2-5bps across all tenors. In the broader dollar space, the spread on JACI IG Corporates increased 1 bps to 198bps while the yield on JACI HY Corporates held steady at 6.81%. 10y UST yields increased slightly by 1bps to 2.38%, as oil prices declined and post-U.S. election asset moves stalled a day before President-elect Donald Trump is slated to hold a press conference that could provide detail on his policy preferences.

New Issues: Nissan Motor Acceptance Corp priced a USD2bn four-tranche deal, with a USD750mn 3-year bond at CT3+80bps, tightening from initial guidance of CT3+95bps; a USD250mn 3-year bond at 3mL+58bps; a USD500mn 5-year bond at CT5+93bps, tightening from initial guidance of CT5+105bps; and a USD500mn 5-year bond at 3mL+89bps. New World China Land Ltd. priced a USD600mn 10-year bond at 4.75%, tightening from initial guidance of 5.25%. BPRL Intl Singapore Pte. Ltd. priced a USD600mn 10-year bond at CT10+200bps, tightening from initial guidance of CT10+220bps. The expected issue ratings are 'NR/Baa3/BBB-'. China Jinmao Holdings Group Ltd. sold a USD500m subordinated 5.75% perp NC5 at +385.9bps, tighter than initial guidance in the 5.95% area. Asahi Mutual Life will commence investor meetings and calls in Asia and Europe from January 12 for a potential issue of USD step-up callable perpetual subordinated bonds with ratings of 'NR/NR/BB+'. Genting Overseas Holdings Ltd. will also commence investor roadshows in Singapore, Hong Kong and London from January 12 for potential USD bonds to be issued by GOHL Capital Ltd. and subject to a keepwell deed provided by Genting Berhad. The issue is expected to be rated 'NR/Baa1/A-'.
Rating Changes: S&P placed Intime Retail (Group) Co. Ltd.'s (Intime) 'BB-' corporate credit rating on CreditWatch with positive implications. The action reflects potential group support to Intime from its controlling shareholder Alibaba group following the company's proposed privatization.

Table 1: Key Financial Indicators

	11-Jan	1W chg (bps)	1M chg (bps)		11-Jan	1W chg	1M chg
iTraxx Asiax IG	116	-1	-4	Brent Crude Spot (\$/bbl)	53.64	-3.30%	-1.27%
iTraxx SovX APAC	34	-1	-2	Gold Spot (\$/oz)	1,188.68	2.15%	2.28%
iTraxx Japan	55	--	4	CRB	191.14	0.52%	-0.44%
iTraxx Australia	99	-2	-5	GSCI	389.01	-0.42%	-0.47%
CDX NA IG	66	2	-2	VIX	11.49	-10.58%	-2.21%
CDX NA HY	106	-1	0	CT10 (bp)	2,378%	-6.15	-9.00
iTraxx Eur Main	69	1	-3	USD Swap Spread 10Y (bp)	-13	3	1
iTraxx Eur XO	290	9	-13	USD Swap Spread 30Y (bp)	-49	4	1
iTraxx Eur Snr Fin	88	2	-6	TED Spread (bp)	51	1	8
iTraxx Sovx WE	20	0	-3	US Libor-OIS Spread (bp)	34	1	3
iTraxx Sovx CEEMEA	78	2	-12	Euro Libor-OIS Spread (bp)	3	0	-1
					11-Jan	1W chg	1M chg
				AUD/USD	0.737	1.18%	-1.71%
				USD/CHF	1.016	0.45%	-0.29%
				EUR/USD	1.056	0.67%	-0.71%
				USD/SGD	1.436	0.28%	-0.86%
Korea 5Y CDS	48	4	7	DJIA	19,856	-0.13%	0.50%
China 5Y CDS	115	-1	1	SPX	2,269	0.49%	0.41%
Malaysia 5Y CDS	133	-1	-7	MSCI Asiax	532	2.42%	0.14%
Philippines 5Y CDS	102	-5	-7	HSI	22,745	2.68%	-0.07%
Indonesia 5Y CDS	153	0	-6	STI	3,006	3.69%	1.69%
Thailand 5Y CDS	76	-1	-5	KLCI	1,672	2.23%	1.87%
				JCI	5,310	0.64%	0.03%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
10-Jan-17	Nissan Motor Acceptance Corp	"NR/NR/NR"	USD750mn	3-year	CT3+80bps
10-Jan-17	Nissan Motor Acceptance Corp	"NR/NR/NR"	USD250mn	3-year	3mL+58bps
10-Jan-17	Nissan Motor Acceptance Corp	"NR/NR/NR"	USD500mn	5-year	CT5+93bps
10-Jan-17	Nissan Motor Acceptance Corp	"NR/NR/NR"	USD500mn	5-year	3mL+89bps
10-Jan-17	New World China Land Ltd.	"NR/NR/NR"	USD600mn	10-year	4.75%
10-Jan-17	BPRL Intl Singapore Pte. Ltd.	"NR/Baa3/BBB-"	USD600mn	10-year	CT10+200bps
10-Jan-17	China Jinmao Holdings Group Ltd.	"NR/Ba2/NR"	USD500mn	5.75%/49s	CT5+386bps
05-Jan-17	Societe Generale S.A	"BBB+/Baa3/A"	USD650mn	5-year	CT5+145bps
05-Jan-17	Societe Generale S.A	"BBB+/Baa3/A"	USD600mn	10-year	CT10+173bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd):

Moody's placed Takeda Pharmaceutical Company Ltd.'s (Takeda)'A1' issuer and senior unsecured ratings under review for downgrade in response to the company's announcement 2 days ago that it has entered into a definitive agreement with ARIAD Pharmaceutical Inc. (unrated) to acquire all of their outstanding shares for a total cash consideration of approximately USD5.4bn, and reflecting Moody's expectation that Takeda's leverage will rise beyond the range consistent with its current rating. Moody's withdrew China South City Holdings Limited's 'B2' corporate family rating with a negative outlook for its own business reasons.

Credit Headlines:

Ezra Holdings Ltd. ("Ezra"): The situation has not improved at EMAS Offshore (75%-owned by Ezra), which reported results yesterday. Revenues declined 15% y/y to USD42.5mn with losses of USD2.2mn in the quarter. Utilisation rates have fallen further to 53% (from 55% last quarter) for its offshore support & accommodation vessels while net debt/equity remains elevated at 6.35x. Meanwhile, we note ongoing uncertainties at Perisai Petroleum Teknologi ("PPT"), which is delaying the completion of the refinancing exercise. We maintain a Negative Issuer Profile on Ezra. (Company, OCBC)

Pacific Radiance Ltd ("PACRA"): PACRA yesterday announced that it inked USD68mn in contracts (including options) to support production campaigns in the Arabian Gulf by deploying 5 offshore support vessels. While it is a positive piece of news that PACRA has already started work, as highlighted in our Singapore 2017 Credit Outlook, we expect utilization to recover first before charter rates – it is likely that charter rates remain at levels just covering operating expenditure. We maintain a Negative Issuer Profile on PACRA. (Company, OCBC).

Australia and New Zealand Banking Group Ltd. ("ANZ"): ANZ continues to advance its strategic restructuring by announcing that it has agreed to sell UDC Finance (UDC) for NZD660mn to HNA Group. UDC provides asset financing for plant, vehicles and equipment in New Zealand and contributed around 1% to ANZ's total net profit after tax in FY2016. On balance, the transaction is marginally credit positive in our view given an expected 10bp benefit to ANZ's CET1 ratio without a material loss in earnings. Combined with the recent sales of Shanghai Rural Commercial Bank and its Asian retail and wealth management businesses, ANZ's CET1 capital ratio could eventually improve to around 10.3% from 9.6% as at FY2016 (end 30 Sept. 2016) once all transactions are finalized. This would put ANZ's CET1 capital ratio above those of peers National Australia Bank (9.8%) and Westpac Banking Corporation (9.5%) (but still lower than that of Commonwealth Bank of Australia (10.6% as at 30 June 2016)). In our Singapore 2017 Credit Outlook published January 6th, we highlighted the ANZ 3.75%'27c22 as a top pick given potentially improved returns and a slightly stronger balance sheet which should mitigate on-going restructuring and soft operating conditions. We still see the ANZ'27c22 offering better value in the Aussie T2 space given potential fundamental upside and given relative tenors and spreads against the NAB'28c23 and WSTP'27c22. (OCBC, Company, Bloomberg)

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