

Jun 16, 2017

Credit Headlines (Page 2 onwards): Pacific Radiance Ltd

Market Commentary: The SGD swap curve traded lower yesterday, with swap rates trading 2-5bps lower across all tenors, moving in sympathy with the US Treasury curve post-FOMC. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, LMRTSP 6.6%_s, mixed interest seen in STHSP 3.95%-PERPs, UOBSP 3.5%_{29s}. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 198bps, while the yield on JACI HY corporates fell 3bps to 6.76%. 10y UST yields rose 4bps yesterday to 2.16%, guided by stronger data (Philadelphia Fed Business Outlook dropped less than expected) and weakness in European Government Bonds (EGBs).

New Issues: Greenland Global Investment Ltd. priced a USD500mn 1-year bond (guaranteed by Greenland Holding Group Company Ltd.) at 4%, tightening from initial guidance at 4.25% area. Hainan Airlines (Hong Kong) Co., Ltd. priced a USD300mn 1-year bond (guaranteed by Hainan Airlines Holding Co., Ltd.) at 5.5%, tightening from initial guidance at 5.75% area. Hilong Holding Ltd. may price a 3-year USD bond today. The initial guidance is at 7.75% area, with expected issue ratings of 'NR/B1/BB-'. Bank of Baroda scheduled investor meetings from 19 Jun for potential USD bond issuance.

Rating Changes: Moody's affirmed FUJIFILM Holdings Corporation's (Fujifilm Holdings) 'A1' issuer rating and revised its rating outlook to negative from stable. The change in outlook reflects Moody's concerns over Fujifilm Holdings' oversight, control and governance. Moody's upgraded the Royal Bank of Scotland Group plc's (RBSG, the holding company) senior unsecured debt ratings to 'Baa3' from 'Ba1'. Moody's also affirmed Royal Bank of Scotland Plc's (RBS plc) senior unsecured debt ratings at 'A3'. The rating action reflects the stronger standalone financial profile of the group and expectation for more stable performance in the medium term resulting from the group's multi-year restructuring.

Table 1: Key Financial Indicators

	16-Jun	1W chg (bps)	1M chg (bps)		16-Jun	1W chg	1M chg
iTraxx Asiax IG	84	-1	-4	Brent Crude Spot (\$/bbl)	46.89	-2.62%	-9.22%
iTraxx SovX APAC	17	-1	-3	Gold Spot (\$/oz)	1,254.34	-0.98%	1.38%
iTraxx Japan	40	-1	-2	CRB	172.78	-1.88%	-5.14%
iTraxx Australia	83	-1	2	GSCI	361.85	-1.64%	-5.22%
CDX NA IG	60	0	-2	VIX	10.9	7.28%	2.35%
CDX NA HY	107	0	0	CT10 (bp)	2.169%	-3.15	-15.67
iTraxx Eur Main	57	-2	-5	USD Swap Spread 10Y (bp)	-2	2	6
iTraxx Eur XO	239	-2	-10	USD Swap Spread 30Y (bp)	-37	6	10
iTraxx Eur Snr Fin	62	-3	-5	TED Spread (bp)	26	2	-3
iTraxx Sovx WE	7	-1	-1	US Libor-OIS Spread (bp)	9	0	-5
iTraxx Sovx CEEMEA	51	1	5	Euro Libor-OIS Spread (bp)	2	-1	-1
					16-Jun	1W chg	1M chg
				AUD/USD	0.760	0.92%	2.29%
				USD/CHF	0.975	-0.53%	1.16%
				EUR/USD	1.116	-0.36%	0.65%
				USD/SGD	1.383	0.14%	0.91%
Korea 5Y CDS	51	-1	-6	DJIA	21,360	0.84%	1.81%
China 5Y CDS	66	-3	-11	SPX	2,432	-0.05%	1.32%
Malaysia 5Y CDS	83	-6	-19	MSCI Asiax	621	-1.38%	1.13%
Philippines 5Y CDS	73	-3	-4	HSI	25,602	-1.65%	1.05%
Indonesia 5Y CDS	114	-3	-13	STI	3,238	-0.49%	0.33%
Thailand 5Y CDS	59	2	3	KLCI	1,791	0.33%	0.75%
				JCI	5,776	1.29%	2.29%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Jun-17	Greenland Global Investment Ltd.	Not Rated	USD500mn	1-year	4.0%
15-Jun-17	Hainan Airlines (Hong Kong) Co., Ltd.	Not Rated	USD300mn	1-year	5.5%
14-Jun-17	Sembcorp Industries Ltd	Not Rated	SGD200mn	Perp NC3	3.7%
14-Jun-17	China Three Gorges Finance II (Cayman Islands) Ltd	"NR/A1/A+"	EUR650mn	7-year	MS+93bps
13-Jun-17	Marble II Pte. Ltd.	Not Rated	USD500mn	5NC2	5.3%
12-Jun-17	Lippo Malls Indonesia Retail Trust	Not Rated	SGD120mn	Perp NC5.5	6.6%
12-Jun-17	Korea East-West Power Co. Ltd	"NR/Aa2/AA-"	USD500mn	5-year	CT5+102.5bps
12-Jun-17	Shui On Development (Holding) Ltd.	Not Rated	USD600mn	Perp NC5	6.4%
12-Jun-17	PT Japfa Comfeed Indonesia Tbk (re-tap)	"BB-/NR/BB-"	USD100mn	JPAFI 5.5% _{22s}	100.25

Source: OCBC, Bloomberg

Rating Changes (cont'd): Fitch downgraded MIE Holdings Corporation's (MIE) Long-Term Issuer Default Rating to 'C' from 'CCC' and the rating on MIE's 2018 bonds to 'CC' from 'CCC'. In addition, Fitch placed the 'CCC' rating on the company's 2019 bonds on Rating Watch Negative (RWN). The rating action is driven by MIE's tender offer for its 2018 bonds, which Fitch considers to be a distressed debt exchange (DDE) under Fitch's criteria.

Credit Headlines:

Pacific Radiance Ltd ("PACRA"): PACRA has announced that it had secured USD45.3mn worth of contracts, which would deploy 10 OSVs (including a DSV), in Asia and the Middle East. These vessels will provide services which include towing, repair and maintenance, transportation and platform support. In aggregate though, given the still challenging market for OSV chartering due to oversupply, it is unlikely that PACRA would be able to secure charters at rates much higher than market. The tenure of the contracts were also not announced. As such, though the contract wins are commendable given the difficult market, the operating cash flow generated from the contract would unlikely be enough to move the needle relative to the USD13.1mn operating cash burn in 1Q2017, the USD44.9mn in short-term borrowings, and the SGD100mn in bonds due in August 2018. Though we acknowledge that the recent new loan facilities from Spring and IE Singapore totalling SGD85mn would help alleviate short-term liquidity needs, PACRA would need to exhibit stronger operating cash flow generation (from an increase in both fleet utilization as well as charter rates) before we seen meaningful improvements to PACRA's credit profile. As such, we will retain our Negative Issuer Profile. (Company, OCBC)

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