

May 17, 2017

Credit Headlines (Page 2 onwards): Aspial Corp Ltd

**Market Commentary:** The SGD swap curve traded upwards yesterday by 1-2bps, with the exception of shorter tenors which remained flattish. Flows in SGD corporates were heavy, with better selling seen in GENSSP 5.13%'49s, OLAMSP 6%'18s, mixed interest in GALVSP 7%'18s, LBBW 3.75%'27s, FCLSP 4.15%'27s, CHIPEN 4.9%'22s. In the broader dollar space, the spread on JACI IG corporates changed little at 195bps. Likewise, the yield on JACI HY corporates held steady at 6.78%. 10y UST yields fell 2bps to 2.32% yesterday, after risk-off flows swept through markets, as stocks tumbled and the dollar fell.

**New Issues:** National Australia Bank Ltd. priced a USD3.5bn 4-tranche deal; with the USD1bn 3-year piece at CT3+70bps, tightening from initial guidance of CT3+85bps; another USD1bn 3-year piece at 3mL+51bps; the USD1bn 5-year piece at CT5+78bps; tightening from initial guidance of CT5+95bps; and the USD500mn 5-year piece at 3mL+72bps. The expected issue ratings are 'AA-/Aa2/NR'. Korea Water Resources Corporation priced a USD350mn 5-year bond at CT5+102.5bps, tightening from initial guidance of CT5+125bps. The expected issue ratings are 'AA-/Aa2/NR'. Sun Hung Kai Properties (Capital Market) Ltd. priced a USD500mn Perp NC3 (guaranteed by Sun Hung Kai Properties Ltd.) at 4.45%, tightening from initial guidance of 4.75%. The expected issue ratings are 'NR/A1/NR'. Logan Property Holdings Co. Ltd. priced a USD450mn 5.75NC3 bond at 98.773, tightening from initial guidance of 5.75%. The expected issue ratings are 'NR/Ba3/BB-'. ICBC Dubai (DIFC) Branch hired banks for a potential EUR 3-year bond issuance. Al Baraka Banking Group BSC scheduled investor meetings from 18 May for potential USD AT1 bond issuance. Hong Seng Ltd. scheduled investor meetings from 17-19 May for potential USD bond issuance (guaranteed by Hong Yang Group Company Ltd.). The expected issue ratings are 'B-/NR/B'. PT Soechi Lines Tbk scheduled investor roadshows from 17 May for potential USD bond issuance. The expected issue ratings are 'NR/B1/B+'. Melco Resorts Finance Ltd. scheduled investor roadshows from 19 May for potential USD bond issuance. The expected issue ratings are 'BB/Ba3/NR'.

Table 1: Key Financial Indicators

	17-May	1W chg (bps)	1M chg (bps)		17-May	1W chg	1M chg
iTraxx Asiax IG	89	0	-11	Brent Crude Spot (\$/bbl)	51.21	1.97%	-7.50%
iTraxx SovX APAC	20	0	-4	Gold Spot (\$/oz)	1,243.63	2.01%	-3.20%
iTraxx Japan	42	0	-5	CRB	182.14	2.73%	-2.80%
iTraxx Australia	81	0	-8	GSCI	381.77	1.66%	-4.39%
CDX NA IG	62	--	-6	VIX	10.65	6.93%	-27.35%
CDX NA HY	108	0	1	CT10 (bp)	2.301%	-11.30	5.13
iTraxx Eur Main	62	0	-15	USD Swap Spread 10Y (bp)	-8	1	-4
iTraxx Eur XO	249	-4	-46	USD Swap Spread 30Y (bp)	-47	0	-5
iTraxx Eur Snr Fin	67	0	-27	TED Spread (bp)	28	0	-8
iTraxx Sovx WE	8	0	-6	US Libor-OIS Spread (bp)	15	1	-7
iTraxx Sovx CEEMEA	46	-2	-5	Euro Libor-OIS Spread (bp)	3	0	0
					17-May	1W chg	1M chg
				AUD/USD	0.742	0.65%	-2.29%
				USD/CHF	0.983	2.65%	2.20%
				EUR/USD	1.111	2.24%	4.40%
				USD/SGD	1.394	1.18%	0.29%
Korea 5Y CDS	57	1	-3	DJIA	20,980	0.02%	1.66%
China 5Y CDS	77	-1	-10	SPX	2,401	0.16%	2.20%
Malaysia 5Y CDS	102	-1	-13	MSCI Asiax	614	1.57%	5.37%
Philippines 5Y CDS	77	0	-9	HSI	25,312	1.18%	4.33%
Indonesia 5Y CDS	127	2	-11	STI	3,212	-1.15%	2.36%
Thailand 5Y CDS	56	0	-2	KLCI	1,775	0.45%	2.34%
				JCI	5,617	-1.41%	0.71%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
16-May-17	National Australia Bank Ltd.	'AA-/Aa2/NR'	USD1bn	3-year	CT3+70bps
16-May-17	National Australia Bank Ltd.	'AA-/Aa2/NR'	USD1bn	3-year	3mL+51bps
16-May-17	National Australia Bank Ltd.	'AA-/Aa2/NR'	USD1bn	5-year	CT5+78bps
16-May-17	National Australia Bank Ltd.	'AA-/Aa2/NR'	USD500mn	5-year	3mL+72bps
16-May-17	Korea Water Resources Corporation	'AA-/Aa2/NR'	USD350mn	5-year	CT5+102.5bps
16-May-17	Sun Hung Kai Properties (Capital Market) Ltd.	'NR/A1/NR'	USD500mn	Perp NC3	4.45%
16-May-17	Logan Property Holdings Co. Ltd.	'NR/Ba3/BB-'	USD450mn	5.75NC3	98.773
15-May-17	Australia & New Zealand Banking Group Ltd	'AA-/Aa2/NR'	USD600mn	3.25-year	CT3.25+73bps
15-May-17	Australia & New Zealand Banking Group Ltd	'AA-/Aa2/NR'	USD400mn	3.25-year	3mL+50bps

Source: OCBC, Bloomberg

**Rating Changes:** Moody's upgraded Barmenco Holdings Pty Limited's (Barmenco) corporate family rating (CFR) to 'B1' from 'B2'. In addition, Moody's assigned a definitive 'B1' rating to the senior secured notes issued by Barmenco Finance Pty Ltd. The outlook is Stable. The rating action reflects the significant reduction in refinancing risk and the improvement in the debt maturity profile of the company. Moody's assigned Logan Property Holdings Company Limited's (Logan Property) proposed USD bond ( guaranteed by some of its subsidiaries) a 'B1' senior unsecured rating. The rating outlook is Stable. The rating action reflects Moody's expectation for Logan Property's debt maturity profile to improve upon the successful issuance of the proposed bond. Moody's does not expect any material negative impact from the proposed bond. Fitch downgraded Noble Group Limited's Foreign-Currency Issuer Default Rating, senior unsecured rating and the ratings on all its outstanding senior unsecured notes to 'BB-' from 'BB+'. The Outlook is Negative. The rating action reflects the lack of visibility on the recovery of Noble's operating income from supply chain and operating cash flow pressures in the next six to 12 months. Fitch assigned Indonesia-based PT Soechi Lines Tbk (Soechi) an Issuer Default Rating of 'B+', with a Negative Outlook. In addition, Fitch assigned a 'B+(EXP)' expected rating to the proposed US dollar senior unsecured notes to be issued by Soechi's subsidiary, Soechi Capital Pte. Ltd. The rating action reflects Soechi's weak shipyard segment performance, even though it has a moderate financial profile and its shipping business remains resilient with a robust market position. At the same time, Moody's affirmed its 'B1' corporate family rating on Soechi and assigned a senior unsecured bond rating of 'B1' to the guaranteed senior notes to be issued by Soechi Capital Pte. Ltd. The rating action reflects Moody's expectation that revenue and earnings growth will recover in 2017 and credit metrics will stabilize from recent vessel acquisitions and term vessel charters. The rating also reflects high barriers to entry from Indonesia's cabotage laws and its long standing relationship with PT Pertamina (Persero), Indonesia's national oil and gas company.

#### Credit Headlines:

**Aspial Corp Ltd ("ACL"):** ACL has lodged a preliminary offer for the proposed spin-off of World Class Global Ltd ("WCG"), which comprises ACL's property business in Australia (e.g. Australia 108, AVANT) and Malaysia (e.g. Ropewalk Piazza, Bahari Parade). As of 31 Dec 2016, WCG holds 32% of ACL's total assets. WCG is 90%-owned by ACL, with the rest owned by Mr Koh Wee Seng and Mr Ng Sheng Tiong (5% each). Mr Koh is the CEO of ACL while Mr Ng is his brother-in-law. In addition to the potential sale of vendor shares by Mr Koh and Mr Ng, there will be new shares issued, with the net proceeds used to fund the acquisition of properties, construction, related costs and working capital. We are reviewing the credit impact to ACL, pending the details on the amount of proceeds to be raised and the size of stake that ACL will be disposing in WCG. In the event that a significant spin occurs, this may be credit negative as bondholders lose access to the assets in Australia, which is expected to deliver large cash proceeds in the future with AUD1.1bn sales locked in from Australia 108 and Avant. Nevertheless, the size of the disposal may be capped as we note the non-disposal undertaking covenant (refer page 13 of the 16 July 2015 Information Memorandum) which states that "ACL will not... sell, transfer... dispose of ... all or substantially all of its assets...". On the other hand, a potential disposal of a small stake can be credit positive if it allows ACL fund the capex of the projects without drawing down more debt at the HoldCo level. (Company, OCBC)

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