

Aug 30, 2017

**Credit Headlines (Page 2 onwards):** Industry Outlook – Singapore Residential Property, ASL Marine Holdings Ltd, Nam Cheong Ltd

**Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 4-6bps lower across all tenors (with the exception of the 12-year tenor, which traded 13bps lower). Flows in SGD corporates were heavy, with better buying seen in WINGTA 4.35%-PERPs, OLAMSP 6%'22s, OUECT 3.03%'20s, better selling seen in UOBSP 3.5%'29s, and mixed interest seen in SIASP 3.13%'27s, OLAMSP 5.5%-PERPs. In the broader dollar space, the spread on JACI IG Corporates rose 2bps to 192bps, while the yield on JACI HY Corp fell 1bps to 6.91%. 10y UST yields fell 3bps to 2.13%, after a missile launch by North Korea caused investors to switch to safe haven assets.

**New Issues:** BDO Unibank Inc has scheduled investor meetings for potential USD bond issuance from 29 Aug. Sun Hung Kai & Co (BVI) Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Sun Hung Kai & Co Ltd) from 30 Aug. Asahi Group Holdings Ltd has scheduled investor meetings for potential EUR 4-year and 8-year bonds from 4 Sep. The expected issue ratings are 'NR/Baa2/NR'. SP PowerAssets has scheduled investor meetings starting 11 Sep.

**Rating Changes:** S&P has upgraded Yuzhou Properties Co Ltd's (Yuzhou) corporate credit rating to 'BB-' from 'B+', while raising the rating on its senior unsecured notes to 'B+' from 'B'. The outlook is stable. The rating action reflects Yuzhou's increased operating scale and earnings stability, as well as its increasingly more diversified sales. Moody's has affirmed Rural Electrification Corporation Limited's (REC) and Power Finance Corporation Limited's (PFC) issuer ratings at 'Baa3'. The outlook has been changed to positive. The rating action reflects REC and PFD's strategic role in the power space in India, as well as Moody's repositioning of its support assumptions for Indian's public sector banks.

**Table 1: Key Financial Indicators**

	30-Aug	1W chg (bps)	1M chg (bps)		30-Aug	1W chg	1M chg
iTraxx Asiax IG	79	-2	-3	Brent Crude Spot (\$/bbl)	51.88	-1.31%	-1.22%
iTraxx SovX APAC	19	-2	0	Gold Spot (\$/oz)	1,313.28	1.73%	3.45%
iTraxx Japan	44	1	4	CRB	177.53	0.45%	-2.52%
iTraxx Australia	73	-1	-4	GSCI	377.48	-0.66%	-2.37%
CDX NA IG	60	-1	3	VIX	11.7	3.08%	13.70%
CDX NA HY	107	0	-1	CT10 (bp)	2.145%	-2.11	-14.40
iTraxx Eur Main	57	0	5	USD Swap Spread 10Y (bp)	-6	0	-1
iTraxx Eur XO	247	-2	12	USD Swap Spread 30Y (bp)	-36	-2	-1
iTraxx Eur Snr Fin	57	0	6	TED Spread (bp)	29	-3	6
iTraxx Sovx WE	6	0	1	US Libor-OIS Spread (bp)	16	0	1
iTraxx Sovx CEEMEA	45	0	-3	Euro Libor-OIS Spread (bp)	3	0	0
					<b>30-Aug</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.799	1.09%	-0.16%
				USD/CHF	0.955	1.04%	1.21%
				EUR/USD	1.198	1.43%	1.13%
				USD/SGD	1.355	0.49%	0.06%
Korea 5Y CDS	61	-2	4	DJIA	21,865	-0.16%	0.16%
China 5Y CDS	58	-5	-6	SPX	2,446	-0.25%	-1.04%
Malaysia 5Y CDS	72	-3	-8	MSCI Asiax	657	0.25%	0.72%
Philippines 5Y CDS	63	-4	-7	HSI	27,976	2.10%	3.70%
Indonesia 5Y CDS	103	-5	-9	STI	3,261	0.03%	-2.09%
Thailand 5Y CDS	56	-4	-6	KLCI	1,761	-0.68%	-0.35%
				JCI	5,889	-0.43%	0.99%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
28-Aug-17	Keppel Land Limited	Not Rated	SGD150mn	6-year	2.843%
25-Aug-17	Keppel Telecommunications & Transportation Ltd	Not Rated	SGD100mn	7NC5	2.85%
24-Aug-17	OUE CT Treasury Pte Ltd	Not Rated	SGD150mn	3-year	3.03%
24-Aug-17	Franshion Brilliant Ltd	'NR/Baa3/NR'	USD200mn	CHJMAO 4%-PERP	100.09
24-Aug-17	China Great Wall International Holdings III Ltd	'BBB+/Baa1/A'	USD500mn	3-year	CT3+135bps
24-Aug-17	China Great Wall International Holdings III Ltd	'BBB+/Baa1/A'	USD1bn	5-year	CT5+145bps
24-Aug-17	China Great Wall International Holdings III Ltd	'BBB+/Baa1/A'	USD500mn	10-year	CT10+180bps
23-Aug-17	Housing & Development Board	'NR/Aaa/NR'	SGD600mn	5-year	1.825%

Source: OCBC, Bloomberg

**Rating Changes (Cont'd):** Moody's has downgraded IDBI Bank Ltd's (IDBI) bank deposit rating and senior unsecured rating to 'B1' from 'Ba2'. At the same time, Moody's has downgraded the counterparty risk assessment for IDBI to 'Ba3' from 'Ba1', while confirming its baseline credit assessment at 'Caa1'. The outlook has been changed to stable. The rating action is driven by a reduction in the amount of extraordinary government support incorporated into the bank's ratings and its weak standalone credit profile.

#### Credit Headlines:

**Industry Outlook – Singapore Residential Property:** According to the URA, 10,565 new and resale private homes were sold in the first 7 months in 2017, which is higher by 56% y/y. We think this paints a positive sign for the property market as demand-supply gap has closed up significantly when compared to the 15,085 units (excl ECs) that remained unsold as of 2Q2017. According to the ZACD Group, a real estate investment firm, Singaporeans comprise 77.6% of private home buyers, increasing from 74.4% a year ago and according to market sources, the current upturn is driven by owner-occupiers. (Straits Times, URA, OCBC)

**ASL Marine Holdings Ltd (“ASL”):** ASL reported 4QFY2017 results for the quarter ending 30 June. Revenue declined 21.2% y/y to SGD77.8mn, mainly due to the decline from shipbuilding (-58.4% y/y to SGD20.7mn), shipchartering (-10.2% y/y to SGD24.2mn) and Engineering (-61.8% y/y to SGD1.8mn) while ship repair and conversion took over as the main revenue contributor (+81.3% y/y to SGD31.0mn). Nevertheless, gross profit declined by 75.8% y/y to SGD2.7mn as both shipbuilding and shipchartering turned into a gross loss of SGD0.9mn (4QFY2016 gross profit: SGD2.7mn) and SGD1.4mn (4QFY2016 gross profit: SGD0.8mn) respectively while margins were squeezed at shiprepair and conversion, which saw gross profit shrinking to SGD4.2mn (4QFY2016: SGD6.8mn). The gross loss for the shipbuilding segment was mainly attributable to the rescission of three OSV vessels, which include two units of anchor handling tug/multi-purpose supply vessels (“AHTS”) and one unit of seismic support vessel (“SSV”). The gross loss from shipchartering was mainly due to gross loss from the OSV segment and tug boats and barges segment with reduced charter rate from an AHTS and off-hire of two AHTS, lower utilisation rate of grab dredgers. The shiprepair segment also saw margin compression due to competitive pricing, with several major projects delivering only single digit margin. Only the engineering segment held steady with gross profit 6.6% y/y higher at SGD0.8mn due to one-off high margin recorded. Loss for the quarter was SGD62.8mn, mainly dragged down by impairments of SGD13.8mn on inventories, SGD22mn on plant, property and equipment and SGD18.4mn net impairment of doubtful receivables. Without the impairments, gross loss before tax would only be SGD9.1mn. Mainly due to the smaller equity base (-14.3% q/q to SGD378.8mn), net gearing increased to 1.36x (3QFY2017: 1.16x). Liquidity remains tight with SGD21.9mn of cash on hand while SGD182.3mn of borrowings are due within a year, though this has improved somewhat since the previous quarter as about SGD50mn of term loans have been pushed out after approval from principal lenders to re-profile existing term loans were obtained. Meanwhile, ASL is still generating positive cashflows of SGD4.9mn from operations (SGD18.6mn before changes in working capital). Nevertheless, with a challenging operating environment, tight liquidity and high net gearing, we continue to hold ASL at a Negative Issuer Profile. (Company, OCBC)

**Nam Cheong Ltd (“NCL”):** NCL has paid the coupon for NCLSP 5.0% '17s and NCLSP 5.05% '19s from the interest service reserve account (“ISRA”) Series 002 and Series 003 respectively. NCL has also made partial principal payment for NCLSP 5.0% '17s as it has reached maturity. The amount of principal repayment is made also from the ISRA Series 002, which had contained two coupon payments prior to the payment of the coupon and partial principal repayment. As such, we estimate that bondholders of NCLSP 5.0% '17s should have received about 2.4795% of principal as coupon payments (based on: 5.0% coupon x 181 days / 365 days) and at least 2.5205% of the principal as partial principal repayment (based on 5.0% coupon less 2.4795% of principal used for coupon payments). As a numerical illustration, we estimate that a bondholder of a SGD250k NCLSP 5.0% '17s should receive SGD6,198.6 in coupon and at least SGD6,301.3 as partial principal repayment. As mentioned previously (refer to [OCBC Asian Credit Daily – 24 Aug 2017](#)), we still await further updated details on NCL's restructuring plans. We will continue to monitor the situation closely. (Company, OCBC)

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