

April 4, 2017

Credit Headlines (Page 2 onwards): First Sponsor Group Ltd, Golden Agri-Resources Ltd, Ezra Holdings Ltd

Market Commentary: The SGD swap curve was range-bound yesterday, with swap rates trading 1-2bps higher in the shorter tenors, and 1-3bps lower in the medium to longer tenors. Flows in SGD corporates were heavy, with better buying seen in BNP 3.65%'24s, UOBSP 4%'49s, better selling seen in GUOLSP 3.62%'21s, and mixed interest in FCLSP 4.15%'27s. In the broader dollar space, the spread on JACI IG corporates rose 2bps to 194bps while the yield on JACI HY changed little at 6.59%. 10y UST yields fell 5bps to 2.33% yesterday, amid weakness in equities and signs that asset managers were re-balancing at the start of the second quarter.

New Issues: Indika Energy Capital II Pte. Ltd. priced a USD265mn 5NC3 bond (guaranteed by Indonesian coal company PT Indika Energy Tbk) at 6.95%, tightening from initial guidance of 7.5%. The expected issue ratings are 'NR/Caa1/B-'. State Bank of India priced a USD100mn tap of its 3-year bond at 3mL+95bps. The expected issue ratings are 'BBB-/Baa3/BBB-'. Modernland Realty scheduled investor roadshows from 4 April for potential USD bond issuance. The expected issue ratings are 'B/B2/B'. Oil India International Pte. Ltd. scheduled an investor roadshow from 6 April for potential USD bond (guaranteed by Oil India Ltd.) issuance. The expected issue ratings are 'NR/Baa2/BBB-'.

Rating Changes: S&P assigned Modernland Overseas Pte. Ltd.'s proposed senior unsecured notes (guaranteed by PT Modernland Realty Tbk) a 'B' issue rating. The rating action reflects S&P's expectation that the net effect on reported debt of the proposed debt issue (after fees and expenses) will be to be mostly neutral.

Table 1: Key Financial Indicators

	4-Apr	1W chg (bps)	1M chg (bps)		4-Apr	1W chg	1M chg
iTraxx Asiax IG	95	-1	-1	Brent Crude Spot (\$/bbl)	53.09	3.43%	-5.03%
iTraxx SovX APAC	21	0	-6	Gold Spot (\$/oz)	1,256.13	0.34%	2.52%
iTraxx Japan	44	-1	-8	CRB	184.53	0.78%	-2.74%
iTraxx Australia	84	-3	0	GSCI	385.60	2.36%	-3.25%
CDX NA IG	67	0	6	VIX	12.38	-0.96%	12.96%
CDX NA HY	107	0	-1	CT10 (bp)	2.332%	-8.60	-14.62
iTraxx Eur Main	75	1	5	USD Swap Spread 10Y (bp)	-2	1	2
iTraxx Eur XO	294	3	15	USD Swap Spread 30Y (bp)	-38	0	2
iTraxx Eur Snr Fin	92	5	5	TED Spread (bp)	37	-4	-4
iTraxx Sovx WE	13	2	-7	US Libor-OIS Spread (bp)	22	-1	-3
iTraxx Sovx CEEMEA	53	1	-11	Euro Libor-OIS Spread (bp)	2	1	0
					4-Apr	1W chg	1M chg
				AUD/USD	0.761	-0.29%	0.42%
				USD/CHF	1.002	-0.91%	1.07%
				EUR/USD	1.067	-1.32%	0.84%
				USD/SGD	1.397	0.11%	1.12%
Korea 5Y CDS	51	1	3	DJIA	20,650	0.48%	-1.69%
China 5Y CDS	83	-1	-7	SPX	2,359	0.74%	-1.02%
Malaysia 5Y CDS	107	1	-2	MSCI Asiax	585	-0.13%	4.66%
Philippines 5Y CDS	83	-1	-4	HSI	24,261	0.28%	3.01%
Indonesia 5Y CDS	129	-1	0	STI	3,187	0.93%	2.08%
Thailand 5Y CDS	53	-1	-3	KLCI	1,746	-0.50%	2.18%
				JCI	5,607	0.71%	4.00%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
3-Apr-17	Indika Energy Capital II Pte. Ltd.	"NR/Caa1/B-"	USD265mn	5NC3	6.95%
3-Apr-17	State Bank of India (re-tap)	"BBB-/Baa3/BBB-"	USD100mn	3-year	3mL+95bps
30-Mar-17	Keppel REIT MTN Pte. Ltd.	Not Rated	SGD75mn	7-year	3.275%
30-Mar-17	Frasers Centrepoint Ltd. (re-tap)	Not Rated	SGD75mn	10-year	4.15%
30-Mar-17	CK Hutchison International (17) Ltd.	"A-/A3/A-"	USD1bn	5-year	CT5+95bps
30-Mar-17	CK Hutchison International (17) Ltd.	"A-/A3/A-"	USD800mn	3-year	CT10+115bps
30-Mar-17	Indonesia Eximbank	"NR/Baa3/BBB-"	USD500mn	7-year	3.9%
30-Mar-17	Hesteel Hong Kong Co.	Not Rated	USD500mn	10NC5	5%
30-Mar-17	Blue Skyview Company Ltd.	Not Rated	USD315mn	Perp NC3.5	7.12%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's assigned a 'Baa2' rating to Oil India Limited's (OIL) proposed foreign currency senior unsecured bonds to be issued by its wholly-owned subsidiary, Oil India International Pte. Ltd (OIPL). The ratings outlook is stable. According to Moody's, the bonds are rated at the same level as OIL's foreign currency issuer ratings because the bonds are unconditionally and irrevocably guaranteed by OIL and the guarantee is pari passu to all senior unsecured obligations of OIL. Fitch also assigned an expected rating of 'BBB-(EXP)' to the bonds issued by OIL's subsidiary. At the same time, Fitch assigned OIPL an issuer default rating of 'BBB-'. Moody's affirmed First Gulf Bank's (FGB) baseline credit assessment at 'Baa2', and upgraded their foreign currency debt ratings to 'Aa3' from 'A2'. The outlook on FGB's debt ratings was changed to negative from positive, in line with the outlook for National Bank of Abu Dhabi (completed merger with FGB on 30 March 2017). Moody's subsequently withdrew all ratings on FGB. FGB's ratings and ratings outlook are in line with National Bank of Abu Dhabi. Fitch affirmed China Oriental Group Company Limited's (COG) issuer default rating and senior unsecured rating at 'BB-'. In addition, Fitch revised the ratings outlook of COG to positive from stable. The rating action reflects Fitch's expectation that COG's FFO-adjusted net leverage will remain low at around 1.5x following a substantial net debt reduction in 2016 and improved EBITDA generation ability due to a better product mix and cost efficiency.

Credit Headlines:

First Sponsor Group Ltd ("FSG"): FSG announced a proposed capital reduction exercise to reduce the issued and paid-up share capital of the company from USD589.8mn divided into 589.8mn shares with a par value of USD1.00 each in the capital of the company to USD58.98mn divided into 589.8mn shares with a par value of USD0.10 each in the capital of the company. The expected effective date for the proposed capital reduction exercise is 29 August 2017 (assuming shareholders approves). The concept of par value has been abolished in Singapore though FSG is incorporated in the Cayman Islands and subject to Cayman Companies Law. Shares of a Cayman Islands company may not be issued for an amount less than the par value of the shares. FSG's listed shares are trading at SGD1.34 per share (ie: lower than the current par value of USD1.00). There would be no change to total book value equity. The company expects the proposed capital reduction to provide the company with greater flexibility to issue new shares in the future. From a credit perspective, we see no immediate impact though this is a longer term positive as it allows FSG higher flexibility to raise new equity should it opt to do so. For example, via a rights issue or a private placement where equity is typically raised at a discount to market price. (Company, OCBC)

Golden Agri-Resources Ltd ("GGR"): The company has announced that two Non-Executive Independent Directors, namely Mr. Jacques Desire Laval Elliah and Mr. Hong Pian Tee, will be retiring from the board of directors at the conclusion of the company's 2017 annual general meeting. Mr. Elliah has served the board for more than 6 years while Mr. Hong has served for more than 15 years and is the Lead Independent Director and Chairman of the Audit Committee and Nominating Committee. Mr. Hong will also cease to hold all positions presently held by him in board committees. (Company, OCBC)

Ezra Holdings Ltd ("EZRA"): EZRA has announced that it will be holding an informal meeting with noteholders on 17/04/17, with the aim of updating noteholders on the company's current position and to provide further information regarding the EZRA Chapter 11 filing. EZRA's management will be present at the meeting to carry out a dialogue session with bondholders. Separately, as an update, the Debtors' First Day Motions court hearing for EZRA was held on 27/03/17. The resultant orders given by the United States Bankruptcy Judge include enforcing and restating the automatic stay, allowing the payment of unpaid wages and CPF obligations, and allowing the extension to the provision of supportive financial statements for an additional 30 days (total of 44 days after the Petition Date (18/03/17)) (Company)

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

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