

January 9, 2017

Credit Headlines (Page 2 onwards): Ezra Holdings Ltd.

Market Commentary: The SGD swap curve bull-flattened on Friday, with swap rates falling by 4-7bps across all tenors. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s, MLTSP 4.18%'49s, SCISP 4.75%'49s, and OCBCSP 4.00%'49s; better selling in GLPSP 5.50%'49s; and mixed interest in ARTSP 4.68%'49s, BOCAVI 3.93%'25s, and STHSP 3.08%'22s. In the broader dollar space, the spread on the JACI IG Corporates increased 2bps to 198bps while the yield on JACI HY Corporates decreased 6 bps to 6.81%. 10y UST yields increased by 8bps to 2.40%, paring weekly advances following December's employment report which showed fresh signs of strength in the U.S labour market – bolstering the case for higher interest rates.

New Issues: Mapletree Investments Pte. Ltd. scheduled investor road shows from 10 January for a possible perp issuance. Taikang Insurance Group Inc. scheduled investor road shows from 9-10 January for a possible USD bond issuance. The expected issue ratings are "NR/NR/BBB+".

Rating Changes: S&P placed its 'A-' corporate credit rating on China Mengniu Dairy Co. Ltd. (Mengniu) on CreditWatch with negative implications. In addition, S&P placed their 'A-' issue rating on the company's outstanding senior unsecured notes on CreditWatch with negative implications. S&P placed Mengniu on CreditWatch to reflect Mengniu's potentially higher financial burden following its proposed increase in its stake in China Modern Dairy Holdings Ltd. Moody's has placed Dalian Wanda Commercial Properties Co. (DWCP) and Wanda Commercial Properties (HK) Co. 'Baa2' and 'Baa3' issuer ratings respectively on review for downgrade. The review for downgrade reflects Moody's concerns that credit metrics will weaken in the next 12-18 months, driven by Moody's expectation of increased debt from its sizeable development of retail malls and lower property sales.

Table 1: Key Financial Indicators

	9-Jan	1W chg (bps)	1M chg (bps)		9-Jan	1W chg	1M chg
iTraxx Asiax IG	114	-7	-4	Brent Crude Spot (\$/bbl)	56.85	0.05%	4.64%
iTraxx SovX APAC	34	-2	-2	Gold Spot (\$/oz)	1,175.68	2.46%	1.36%
iTraxx Japan	56	-2	4	CRB	193.54	0.33%	0.81%
iTraxx Australia	98	-5	-5	GSCI	398.18	-0.07%	1.88%
CDX NA IG	64	-3	-3	VIX	11.32	-15.33%	-3.66%
CDX NA HY	107	1	0	CT10 (bp)	2.419%	-2.50	3.06
iTraxx Eur Main	68	-4	-5	USD Swap Spread 10Y (bp)	-12	-1	1
iTraxx Eur XO	287	-2	-22	USD Swap Spread 30Y (bp)	-49	-1	2
iTraxx Eur Snr Fin	88	-6	-11	TED Spread (bp)	50	0	4
iTraxx Sovx WE	21	0	-3	US Libor-OIS Spread (bp)	34	0	2
iTraxx Sovx CEEMEA	75	-4	-16	Euro Libor-OIS Spread (bp)	3	0	-1
					9-Jan	1W chg	1M chg
				AUD/USD	0.732	1.91%	-1.72%
				USD/CHF	1.017	0.68%	0.05%
				EUR/USD	1.054	0.84%	-0.17%
				USD/SGD	1.439	0.79%	-0.59%
Korea 5Y CDS	46	2	4	DJIA	19,964	0.73%	1.05%
China 5Y CDS	113	-5	1	SPX	2,277	1.23%	0.77%
Malaysia 5Y CDS	131	-7	-8	MSCI Asiax	527	2.53%	-0.69%
Philippines 5Y CDS	102	-8	-9	HSI	22,526	2.39%	-1.03%
Indonesia 5Y CDS	150	-8	-6	STI	2,968	3.02%	0.39%
Thailand 5Y CDS	76	-3	-6	KLCI	1,673	1.92%	1.94%
				JCI	5,347	0.84%	0.73%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
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
05-Jan-17	Sumitomo Mitsui Financial Group Inc.	"A-/A1/NR"	USD750mn	5-year	CT5+100bps
05-Jan-17	Sumitomo Mitsui Financial Group Inc	"A-/A1/NR"	USD250mn	5-year	3mL+97bps
05-Jan-17	Sumitomo Mitsui Financial Group Inc	"A-/A1/NR"	USD1.25bn	10-year	CT10+110bps
05-Jan-17	Sumitomo Mitsui Banking Corporation	"A/A1/NR"	USD750mn	2-year	CT2+80bps
05-Jan-17	Sumitomo Mitsui Banking Corporation	"A/A1/NR"	USD500mn	2-year	3mL+54bps
04-Jan-17	National Australian Bank Ltd.	"AA-/Aa2/NR"	USD1bn	3-year	CT3+78bps
04-Jan-17	National Australian Bank Ltd.	"AA-/Aa2/NR"	USD1bn	5-year	CT5+90bps

Source: OCBC, Bloomberg

Rating Changes (Cont'd):

Moody's has assigned an 'A1' Issuer rating and a 'Prime-1' short-term issuer rating to Suimitomo Mitsui Financial Group, Inc. (SMFG), with a stable outlook. This reflects Moody's incorporation of a "Very High" level of government support probability in both the senior unsecured bond rating of SMFG and the deposit ratings of SMBC. Fitch affirmed Beijing Energy Holdings Co. Ltd.'s (BEH) Issuer Default Rating (IDR) and senior unsecured rating at 'A+', with a stable outlook. In addition, Fitch also affirmed yuan-denominated notes issued by Jingneng Clean Energy Investment Holdings Limited and euro-denominated notes issued by Beijing Energy Investment Holdings Limited at 'A+' as these notes are supported by BEH via a keepwell agreement, liquidity support and equity interest purchase covenants. The rating changes reflect Fitch's internal credit assessment of the Beijing Municipality, which has a close relationship with the China sovereign. Fitch placed Hengdeli Holdings Limited (Hengdeli) IDR of 'B+' and senior unsecured rating of 'B+' with Recovery Rating of 'RR4' on Rating Watch Negative (RWN). The rating actions follow Hengdeli's proposal to dispose its core operations to its founder and chairman, as the company plans to use most of the proceeds from the disposal to repay nearly all of the remaining businesses' debt. Fitch is of the view that the remaining operations (should the disposal be completed) will not warrant a 'B+' rating". Fitch has withdrawn AXA Insurance Singapore Pte. Ltd.'s 'AA-' Insurer Financial Strength rating, as the entity no longer exists. This entity had merged into AXA Life Insurance Singapore Private Limited (with the surviving entity renamed as AXA Insurance Pte Ltd). AXA Insurance Pte Ltd has been assigned a rating of 'AA-'.

Credit Headlines:

Ezra Holdings Ltd ("Ezra"): Triyards Holdings Ltd ("Triyards"), a SGD102mn market cap company which is 60.91%-owned by Ezra, reported 1QFY2017 results last Friday. Revenues increased 17% y/y to USD91.2mn. However, margins continued to compress, with gross margins declining to 11.5% (1QFY2016: 18.7%) and net profits falling by 72% y/y to USD2mn. While net debt to equity at 0.66x is still manageable relative to other oil & gas peers, the ratio has increased 6pp since 4QFY2016 as resources are tied up in working capital. Even though Triyards remains a relatively brighter spot in the Ezra group of companies, we note that it has stopped up-streaming cash to Ezra via dividends in 2016. We maintain our negative issuer profile on Ezra. (OCBC, Company)

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