

January 22, 2018

Credit Headlines (Page 2 onwards): Keppel Corp, Frasers Commercial Trust, Pacific Radiance Ltd

Market Commentary: The SGD swap curve bear-steepened last Friday, with swap rates for the shorter tenors trading at 1-3bps higher while the longer tenors traded at 4-6bps higher. Flows in SGD corporates were heavy last Friday, with better buying in EREIT 4.6%-PERPs and OLAMSP 5.5%-PERPs and better selling in HSBC 4.7%-PERPs and DBSSP 4.7%-PERPs. In the broader dollar space, both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 107bps and 325bps respectively. 10Y UST yield rose 3.4bps to 2.661% as Treasuries were weighed down by the government shutdown drama in Washington that happened last Friday.

New Issues: Housing & Development Board has priced a SGD15mn 10-year bond at 2.32%. Beijing Capital Group Co Ltd has scheduled for investor meetings from 22 Jan for its potential USD bond issuance. FWD Ltd has scheduled for investor meetings from 22 Jan for its potential USD subordinated Perp bond issuance. The expected issue ratings are 'NR/Ba2/BB+'. Tsinghua Holdings Co Ltd has scheduled for investor meetings from 22 Jan for its potential USD bond issuance. Golden Energy & Resources Ltd scheduled for investor meetings from 22 Jan for its potential USD bond issuance. The expected issue ratings are 'NR/B1/B+'. Union Medical Healthcare Ltd has scheduled investor meetings in Hong Kong and Singapore over January 22-24 for its proposed dollar bond issue. The expected issue ratings are 'NR/B1/NR'. United Co RUSAL PLC has scheduled roadshows for its potential 5-7 year USD senior unsecured bond issuance. The expected issue ratings are 'NR/Ba3/BB-'.

Rating Changes: Fitch has assigned a final rating of 'AA-' to Sindicatum Renewable Company Pte Ltd for its guaranteed green bonds. The outlook is stable. The rating action reflects the credit enhancement provided to investors by the guarantee from GuarantCo Ltd, with the guarantee covering 100% of the principal and interest due on the bonds. Moody's has assigned a 'B1' corporate family rating to Golden Energy and Resources Ltd

Table 1: Key Financial Indicators

	22-Jan	1W chg (bps)	1M chg (bps)		22-Jan	1W chg	1M chg
iTraxx Asiax IG	63	3	-4	Brent Crude Spot (\$/bbl)	68.76	-2.13%	5.38%
iTraxx SovX APAC	11	0	-3	Gold Spot (\$/oz)	1,333.92	-0.45%	4.69%
iTraxx Japan	43	0	-3	CRB	195.50	0.18%	4.06%
iTraxx Australia	55	2	-4	GSCI	450.37	-0.19%	4.90%
CDX NA IG	48	1	-1	VIX	11.27	14.07%	13.84%
CDX NA HY	108	0	0	CT10 (bp)	2.667%	12.05	18.57
iTraxx Eur Main	45	0	-2	USD Swap Spread 10Y (bp)	6	6	8
iTraxx Eur XO	232	4	-1	USD Swap Spread 30Y (bp)	-10	10	12
iTraxx Eur Snr Fin	43	1	-2	TED Spread (bp)	32	3	2
iTraxx Sovx WE	0			US Libor-OIS Spread (bp)	25	0	-1
iTraxx Sovx CEEMEA	32	0	-2	Euro Libor-OIS Spread (bp)	2	1	1
					22-Jan	1W chg	1M chg
				AUD/USD	0.799	0.35%	3.68%
				USD/CHF	0.962	0.11%	2.70%
				EUR/USD	1.225	-0.15%	3.23%
				USD/SGD	1.321	0.05%	1.75%
Korea 5Y CDS	45	2	-9	DJIA	26,072	1.94%	5.32%
China 5Y CDS	50	3	-1	SPX	2,810	1.54%	4.73%
Malaysia 5Y CDS	56	3	-4	MSCI Asiax	756	1.61%	7.32%
Philippines 5Y CDS	56	2	-4	HSI	32,255	2.68%	9.05%
Indonesia 5Y CDS	81	2	-6	STI	3,550	0.85%	4.86%
Thailand 5Y CDS	41	0	-5	KLCI	1,829	0.34%	3.90%
				JCI	6,491	1.90%	4.34%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
22-Jan-18	Housing & Development Board	Not rated	SGD15mn	10-year	2.32%
19-Jan-18	Triceratops Capital Co Ltd	'NR/A1/NR'	EUR500mn	3-year	MS+77bps
19-Jan-18	Housing & Development Board	Not rated	SGD515mn	10-year	2.32%
19-Jan-18	Geely Automobile Holdings Ltd	'BBB-/NR/NR'	USD300mn	5-year	CT5+130bps
19-Jan-18	Sino Trendy Investment Ltd	'NR/NR/BBB'	USD200mn	3-year	CT3+182.5bps
19-Jan-18	Tata Steel Ltd	'BB-/NR/NR'	USD1bn	10-year	5.45%
19-Jan-18	Tata Steel Ltd	'BB-/NR/NR'	USD300mn	5.5-year	4.45%
19-Jan-18	Azure Orbit IV International Finance Ltd	'A-/NR/A'	USD250mn	10-year	CT10+150bps
19-Jan-18	Azure Orbit IV International Finance Ltd	'A-/NR/A'	USD 950mn	5-year	CT5+142.5bps
19-Jan-18	Azure Orbit IV International Finance Ltd	'A-/NR/A'	USD300mn	3-year	CT3+135-140bps

Source: OCBC, Bloomberg

Rating Changes (cont'd) : (GEAR). The outlook is stable. The rating action reflects the low cost position and strong liquidity profile for both GEAR and PT Golden Energy Mines Tbk (GEMS), a subsidiary which GEAR has 67% controlling interest in. GEAR is engaged in forestry business and own forestry concession. However, the company generates all its earnings from its coal mining operation through its ownership stake in GEMS. GEM's integrated operations and growing production profile will allow it to merge as one of the top coal producers in Indonesia. Moody's stated that GEM's moderate financial profile, supported by its prudent capital management and performance during the recent downturn in coal prices, has been taken into consideration to determine the rating given to GEAR. However, Moody's acknowledged the high concentration risk to a single commodity and a single mine, as well as execution risk associated with the capacity expansion at GEMS, where production is expected to triple by 2021 relative to that of 2017. S&P raised Toshiba Corp's rating by 2 notches to 'CCC+' from 'CCC-', maintaining it on CreditWatch for upgrade. The rating action reflects the heightened likelihood of Toshiba erasing its negative net worth due to the deal of selling Westinghouse-related assets, significantly reducing its chances of undertaking a debt restructuring in the near term.

Credit Headlines:

Keppel Corp ("KEP"): On 19/01/18, the Business Times reported that KEP was seeking to offload six jack-up rigs to Borr Drilling for up to USD960mn. KEP had subsequently filed a statement, clarifying that they are indeed in talks with Borr Drilling, though the terms and details relating to such sale and purchase have not yet been finalized and no definitive agreements have been made. Should a transaction occur, we would consider it a credit positive as it would allow KEP to monetize part of its balance sheet. Currently, some of these rigs may have been contracted to buyers who have been deferring the delivery of the rigs. This would help mitigate the provisions that KEP made in 4Q2017 for the Brazil corruption settlement (~SGD570mn provision). Recent updates by KEP have also indicated that the Keppel China Marina Holdings divestment (with an expected divestment gain of ~SGD290mn) had been delayed and was not completed in 4Q2017. As such, pro-forma net gearing based on 3Q2017 figures is expected to increase to ~54% due to the provision, before easing from 1Q2018 onwards when the Keppel China Marina Holdings divestment and any potential Borr Drilling transaction is realized. We expect more details when 4Q2017 results are announced later this week. KEP's Issuer Profile is currently rated at Neutral (3). (Company, OCBC)

Frasers Commercial Trust ("FCOT"): FCOT had announced that it has entered into a 6-month unsecured term loan facility for GBP88mn (~SGD160mn), which would be used to fund its 50% interest in Farnborough Business Park, UK. The transaction was previously expected to be completed in January 2018 (see [Singapore Credit Outlook 2018](#)). We estimate that given that the investment in the business park looks to be fully debt-funded, this would sharply increase FCOT's aggregate leverage from 34.7% (as of end September 2017) to pro-forma 42.2%. At these levels, this may result in us reviewing FCOT's current Neutral (4) Issuer Profile rating. That said, we note that the term loan has a short tenure of just 6 months, and may not be FCOT's final intended financing structure for the business park. As such, we will monitor the situation closely. FCOT will be disclosing its 1QFY2018 results on 23/01/18. (Company, OCBC)

Pacific Radiance Ltd ("PACRA"): PACRA has disclosed the slides presented during their 2nd informal noteholders' meeting (held on 19th of January 2018). Tentative terms for the restructuring of their SGD100mn in PACRA'18 bonds have been shared. In summary, PACRA is seeking to fully convert the SGD100mn in notes into equity (via a consent solicitation exercise), at a rate of SGD1 notional amount to 3 PACRA shares (or ~SGD0.333 per share). At the current market price of SGD0.110 per share, this implies a haircut of ~67% per bond, assuming that bondholders are able to exit at SGD0.11 per share. Noteholders will hold ~30% of PACRA's shares post issuance, with the founding Pang family still retaining ~52% (based on ~68% existing shareholdings). We note however that in several other restructurings, such as those by Ezion Holdings, part of the restructuring includes a rights issue to build capital, which would be dilutive to shareholders (such as PACRA noteholders post the conversion). We will monitor closely and will update once definitive terms for the restructuring are out. The current intent is for the Consent Solicitation Exercise to be announced on 02/02/18, with the actual vote to be held on 26/02/18. (Company, OCBC)

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