

Bonds Daily

ABGSC Daily Report - Bonds

LNG Credit Report: Market set for recovery

Yesterday we initiated coverage of Golar LNG Partners, Hoegh LNG and GasLog. We believe the LNGC market is on its way to recovery, fuelled by an expected 35% growth in liquefaction capacity over the next three years. The liquefaction capacity will grow far in excess of our estimated growth in vessels (25%) during the same time period, which we expect will lead to day rates increasing from ~USD 39,000 per day in 2017 to ~USD 78,000 per day in 2019.

Golar LNG: FLNG Hilli Episeyo departs Singapore

Today, Golar LNG announced that the FLNG Hilli Episeyo departed Singapore at 10:00 local time. The departure is earlier than initially anticipated, due to the decision to complete LNG bunkering in Cameroon rather than in Singapore.

AKSO frontrunner for Libra subsea tree award

According to Upstream this morning, AKSO has emerged as a frontrunner to win the 12 subsea trees for Petrobras on Libra after posting the lowest bid around USD 200m in contest with TechnipFMC. AKSO CEO Arujo is understood to be in advanced negotiations with Petrobras with an expected award later this year. AKSO has historically about twice the market share in Brazil as it has globally, and a potential Libra award could keep the local manufacturing plant at healthy levels going forward. The previous frame agreement AKSO was awarded in 2013 covered USD 800m/60 trees or USD 13m/tree, while this USD ~17m/tree likely reflects that the Libra trees are highly specialised vs the scalable, generic trees offered in the 2013 frame agreement. Given the weak development in subsea orders for AKSO recently we consider it positive if they land this deal although one can always be worried about pricing at this point in the cycle. Other important contracts coming to the market in the near term are multi-billion NOK Johan Castberg and Snorre 2040 in Norway, where AKSO also has a strong position.

General Exploration Partners: ShaMaran

ShaMaran reports that TAQA Atrush BV has received on behalf of the Atrush co-venturers USD 1.8 million from the Kurdistan Regional Government as payment for July 2017 crude oil deliveries to the export market from the Atrush license. These funds will be shared according to the terms of the agreements between the Atrush co-venturers.

Stock market	Today	1D	1M	3M	YTD
OSE	720.9	0.3%	5%	10%	15%
SBX	993.3	0.2%	4%	0%	12%
OSX	122.5	-0.1%	-5%	-9%	-35%
VIX	10.1	0.0%	-4%	3%	-15%

High Yield Indices (Spread)

Itraxx Xover 5Y	246	4bp	19bp	7bp	-35bp
Itraxx Xover 3Y	165	0bp	16bp	7bp	-42bp
BHYUEN	480	2bp	-63bp	-68bp	-15bp
HYG US	386	21bp	-8bp	19bp	-3bp
ABG HY index	417	-1bp	-4bp	-92bp	-345bp

Interest Rates Basis points

NIBOR 3M	82	1bp	0bp	-3bp	-31bp
NIBOR 3Y SWAP	125	0bp	10bp	-1bp	-9bp
NIBOR 5Y SWAP	152	0bp	14bp	-1bp	-4bp
US L3M	136	0bp	4bp	5bp	35bp
US LIBOR 3Y SWAP	188	-1bp	22bp	16bp	21bp
US LIBOR 5Y SWAP	202	-1bp	20bp	10bp	8bp

Currencies

USD/NOK	7.90	0%	1%	-3%	-8%
EUR/NOK	9.35	-1%	0%	0%	4%
SEK/NOK	0.97	-1%	-1%	-1%	3%

Commodities

Oil - Brent (USD/bl)	56.3	-1%	4%	16%	0%
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Shipping Rates

Baltic Dry Bulk	1458.0	2%	8%	60%	50%
Baltic Tank (Dirty)	870.0	2%	20%	34%	-17%
Baltic Tank (Clean)	573.0	-3%	2%	4%	-33%

Source: Bloomberg

ABGSC HY Index



Source: ABG Sundal Collier

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Corporate HY bonds traded in Oslo at Thursday 12 October 2017

Issuer	Ticker	Volume	Price		Time to maturity	Yield
			12/10/2017	Credit spread		
Aker ASA 14/19 FRN SEK	AKER12	1.0m	103.40	185	1.8	1.3%
Aker Solutions ASA 12/19 FRN	AKSO02	2.0m	104.00	214	2.0	3.0%
BW Offshore Limited 14/19 FRN	BWO03	2.0m	93.63	566	3.4	6.5%
Color Group AS 12/19 FRN	COLG10 PRO	16.0m	105.06	256	1.9	3.4%
Det Norske Oljeselskap ASA 13/20 FRN	DETNOR02	1.0m	117.75	237	2.7	3.2%
DOF Subsea AS 13/18 FRN	DOFSUB07	18.0m	100.09	484	0.6	5.7%
Exmar Netherlands BV 14/17 FRN	EXMAR01	1.0m	95.00	1,383	1.7	14.6%
Hospitality Invest AS 14/19 FRN C	HOIN01	8.0m	100.69	516	1.3	6.0%
North Atlantic Drilling Ltd 13/18 FRN	NADL01	2.0m	20.25	n.a.	1.0	n.a.
Norwegian Air Shuttl ASA 15/19 7,25% EUR	NAS07	0.4m	100.88	695	2.2	6.9%
NORECO ASA 11/16 10,25% C	NOR06	0.3m	72.00	n.a.	0.4	107.9%
Stolt-Nielsen Limited 14/21 FRN	SNI05	15.0m	99.05	365	3.4	4.5%
Teekay LNG Partners L.P. 13/18 FRN	TKLNG02	11.0m	102.00	210	0.9	2.9%
AS Tallink Grupp 13/18 FRN	TLG01	1.0m	103.26	175	1.0	2.6%
Teekay Offshore Partners L.P. 12/17 FRN	TOP02	0.7m	101.50	690	1.1	7.7%
Teekay Offshore Partners L.P. 14/19 FRN	TOP05	2.0m	99.00	505	1.3	5.9%
Norsk Gjenvinning 14/19 FRN C	VVH01	1.0m	99.50	555	1.7	6.4%

Source: ABG Sundal Collier, company data

Corporate HY bonds traded by ABG Sundal Collier at Nasdaq, Stockholm

Issuer	Volume	Price	High	Low
KRAFGN Float 09/13/22	10m	100.60	100.65	100.55
SPARSY Float 06/28/22	10m	101.24	101.20	101.29

Source: ABG Sundal Collier, company data

Analyst certification

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Analyst valuation methods

When evaluating the credit risk of the issuer, we look at credit ratios, management and corporate strategy, business risk, industry risk and management risk appetite. Further, we look at dividend and financial policies. From this analysis and after an assessment of the asset values as well as any potential structural subordination, ABG Sundal Collier also estimates the company's default probability and the bond's recovery rate.

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All prices are as of market close on 12 October, 2017 unless otherwise noted.

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