

Bonds Daily

ABGSC Daily Report - Bonds

Genel (DNO partner on Tawke) trading update

Genel says that operations in the Kurdistan Region of Iraq are progressing as normal, and that exports currently are flowing as normal. The Q3 gross production from Tawke was 110.46 mboe/d, slightly shy of our 112.7 mboe/d. Note that DNO has pre-announced gross payments from Tawke of USD 115m; we est. USD 82.3m net to DNO. The update could positively affect DNO today given the comments on normal operations, but the uncertainty in the region is very high and with that also the certainty on payments from KRG to oil producers in the region.

Rowan (B+/Negative) outlook changed to Negative by Standard and Poors

Rowan Cos saw its B+ rating reaffirmed today but S&P revised its outlook to Negative from Stable. The outlook reflects S&P's view that offshore drilling services will remain depressed over the next two years, with minimal reconstructing of rigs through 2018. S&P will lower its rating if FFO to debt remains below 12% and IBD/EBITDA remains above 5x without any path to improvement. We expect that bonds will not react to this, as we believe most investors have realized the drilling market will be bad in 2018.

Diamond Offshore drilling downgraded to B+/Negative from BB-/Negative

Diamond Offshore was downgraded by S&P today to B+ from BB-. According to the report, the company can be further downgraded if FFO to debt falls below 12% and IBD/EBITDA remains above 5x without any path to improvement. The downgrade is a result of S&P assuming a continued weak drilling market for the next two years, and according to the rating agency, "Diamond's recent scrapping of five of its older rigs and an expectation that the company will scrap additional rigs". ABGSC struggles to see why getting rid of assets that will never work again and represent a cash drain is a negative.

DFDS: Restructuring of Belfast activities

DFDS' logistics activities based in Belfast have been restructured to focus the operations and improve the return on invested capital. The restructuring will result in an accounting loss in 2017 of around DKK 10m. Going forward the focus will be on door-door trailer solutions for ambient cargo, mainly covering Northern Ireland and England/Scotland and contract logistics for major retailers.

Solstad Farstad: Contract extension

CSV 'Far Sentinel's present contract with Blue Marine has been extended by approx. 18 months to June 2020 for operations in the Gulf of Mexico. The contract has incorporated an early cancellation clause, which includes a significant termination fee. However, early cancellation cannot be exercised before November 2018.

Stock market	Today	1D	1M	3M	YTD
OSE	720.1	0.1%	4%	11%	15%
SBX	994.8	0.5%	3%	4%	12%
OSX	122.5	-0.1%	-9%	-9%	-35%
VIX	10.1	0.0%	0%	8%	-15%

High Yield Indices (Spread)

Itraxx Xover 5Y	243	2bp	24bp	7bp	-38bp
Itraxx Xover 3Y	163	0bp	21bp	8bp	-44bp
BHYUEN	468	-8bp	-53bp	-69bp	-27bp
HYG US	386	23bp	6bp	17bp	-3bp
ABG HY index	454	-1bp	39bp	-54bp	-308bp

Interest Rates Basis points

NIBOR 3M	83	-2bp	3bp	0bp	-30bp
NIBOR 3Y SWAP	123	1bp	5bp	-2bp	-11bp
NIBOR 5Y SWAP	149	2bp	5bp	-4bp	-7bp
US L3M	136	0bp	3bp	4bp	35bp
US LIBOR 3Y SWAP	193	2bp	17bp	22bp	26bp
US LIBOR 5Y SWAP	208	4bp	16bp	19bp	13bp

Currencies

USD/NOK	7.96	0%	2%	-1%	-7%
EUR/NOK	9.38	0%	0%	0%	4%
SEK/NOK	0.98	0%	0%	0%	4%

Commodities

Oil - Brent (USD/bl)	58.2	0%	5%	21%	3%
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Shipping Rates

Baltic Dry Bulk	1566.0	1%	11%	60%	62%
Baltic Tank (Dirty)	907.0	-1%	23%	38%	-14%
Baltic Tank (Clean)	540.0	-1%	-8%	-2%	-37%

Source: Bloomberg

ABGSC HY Index



Source: ABG Sundal Collier

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Corporate HY bonds traded in Oslo at Wednesday 18 October 2017

Issuer	Ticker	Volume	Price		Time to maturity	Yield
			18/10/2017	Credit spread		
Aker ASA 14/19 FRN SEK	AKER12	2.0m	104.25	138	1.8	0.9%
B2Holding ASA 16/21 FRN EUR C	B2H02	1.8m	109.00	301	4.0	2.7%
Boa OCV 14/19 FRN Floor C	BOA02 PRO	0.4m	56.25	2,852	3.2	32.1%
Bonheur ASA 14/19 FRN	BON05	10.0m	100.50	280	1.7	3.6%
Bonheur ASA 14/21 FRN	BON06	10.0m	99.50	364	3.7	4.5%
Crayon Group Holding AS 17/20 FRN C	CRAYON02	1.0m	103.00	392	2.5	4.7%
DNONO 8 ¾ 06/18/20 Corp	DNO01	1.1m	97.69	804	2.7	9.7%
Genel Energy Finance L 14/19 7,50% USD C	GENEL01 PRO	0.2m	92.00	1,157	1.6	13.7%
General Exploration P 13/18 11,50% USD C	GEP01	1.0m	90.50	2,518	1.1	26.7%
IGas Energy Plc 13/18 10,00% USD C	IGAS01	0.5m	100.63	583	3.7	8.0%
Klaveness Ship Holding AS 16/21 FRN C	KSH03 PRO	5.0m	104.75	383	3.6	4.7%
Norwegian Air Shuttl ASA 15/19 7,25% EUR	NAS07	0.7m	100.63	709	2.1	7.0%
Ocean Yield ASA 14/19 FRN C	OCY02	1.0m	101.75	218	1.4	3.0%
Odfjell SE 17/21 FRN	ODF08	34.0m	101.50	475	3.3	5.6%
Songa Bulk ASA 17/22 FRN USD C	SBULK01	3.0m	100.12	447	4.7	5.8%
Teekay LNG Partners L.P. 2016/2021 FRN	TKLNG04	3.0m	104.18	485	4.0	5.7%
Veritas Petroleum Serv 14/19 7,00% USD C	VEPE01	0.2m	98.69	625	1.5	8.1%
VIZRT GROUP AS 15/21 FRN USD C	VIZG01	1.7m	103.88	538	3.4	6.7%

Source: ABG Sundal Collier, company data

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

Issuer	Volume	Price	High	Low
AMASTS Float 06/02/19	2m	100.00	100.00	100.00
QLROSS Float 05/23/20	4m	101.88	102.25	101.50

Source: ABG Sundal Collier, company data

Analyst certification

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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 18 October, 2017 unless otherwise noted.

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