

Nov 15, 2018

Credit Headlines: Hong Fok Corp Ltd

Market Commentary

- The SGD swap curve bull-flattened yesterday, with swap rates for the shorter tenors trading 2-4bps lower while the longer tenors traded 5-7bps lower.
- Flows in SGD corporates were heavy yesterday, with better buying seen in CMZB 4.2%'28s and better selling seen in HSBC 5.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 151bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 10bps to 591bps.
- 10Y UST yields rose 2bps to 3.16% in the earlier part of the trading session on the back of continued optimism about Brexit from the European Union. However, yields subsequently fell 4bps to close at 3.12% due to the renewed weakness on Wall Street which could signal deeper problems in the US.

Credit Headlines:

Hong Fok Corp Ltd ("HFC") | Issuer Profile: Neutral (5)

- HFC reported 3Q2018 results. Revenue increased 141% y/y to SGD48.8mn, mainly due to the sales of residential units in Singapore. Specifically, according to URA caveats, 14 units at Concourse Skyline were sold for SGD38.1mn over two months - Jul and Aug 2018 while no units were sold in September 2018. This is in contrast to 3Q2017 where only 6 units were sold for SGD12.8mn. Revenue for the quarter was also boosted by income contribution from YOTEL Singapore Orchard Road ('YOTEL'), which commenced operations in 4Q2017. Consequentially, profit before tax (before other income, other expenses, fair value changes, impairment and gain on disposal) improved substantially to SGD27.3mn (3Q2017: SGD8.9mn). Reported net profit was higher at SGD12.1mn (3Q2017: loss of SGD5.6mn), partly due the absence of SGD13.7mn expenses previously incurred for the pre-opening and other costs for YOTEL.
- Due to the sale of properties, HFC generated SGD38.0mn net cash from operations though this was used to repay SGD4.7mn of payables and SGD27.4mn of loans and borrowings, purchases of other investments which comprise equity and equity-linked securities (net amount of SGD3.5mn), these factors led to an overall lower cash balance of SGD46.5mn (2Q2018: 48.9mn).
- HFC remains confident that the SGD120mn HFCSP 4.75% '19s can be refinanced or repaid from its available undrawn facilities while net gearing is manageable at 33.1% (2Q2018: 34.3%). Going forward, HFC expects to recognise revenue from sales of its properties in 4Q2018. However, the series of cooling measures on the property market will have an impact of the pace. (Company, OCBC)

Table 1: Key Financial Indicators

	15-Nov	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	91	7	3
iTraxx SovX APAC	10	1	0
iTraxx Japan	63	3	2
iTraxx Australia	81	6	2
CDX NA IG	72	8	6
CDX NA HY	105	-2	-1
iTraxx Eur Main	73	5	-1
iTraxx Eur XO	301	19	7
iTraxx Eur Snr Fin	91	5	-1
iTraxx Sovx WE	27	1	0
AUD/USD	0.727	0.22%	1.99%
EUR/USD	1.133	-0.29%	-2.15%
USD/SGD	1.377	-0.09%	-0.01%
China 5Y CDS	69	6	2
Malaysia 5Y CDS	112	8	8
Indonesia 5Y CDS	147	6	1
Thailand 5Y CDS	44	1	1

	15-Nov	1W chg	1M chg
Brent Crude Spot (\$/bbl)	65.97	-6.62%	-18.33%
Gold Spot (\$/oz)	1,210.48	-1.10%	-1.35%
CRB	188.06	-1.65%	-5.85%
GSCI	432.83	-3.22%	-10.56%
VIX	21.25	6.73%	-0.23%
CT10 (bp)	3.123%	-11.41	-3.25
USD Swap Spread 10Y (bp)	7	1	2
USD Swap Spread 30Y (bp)	-10	0	0
TED Spread (bp)	27	0	10
US Libor-OIS Spread (bp)	28	0	8
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,081	-4.20%	-0.67%
SPX	2,702	-3.99%	-1.79%
MSCI Asiax	596	-2.14%	0.15%
HSI	25,741	-1.86%	1.16%
STI	3,044	-1.58%	-0.05%
KLCI	1,691	-1.78%	-2.20%
JCI	5,923	-0.90%	3.42%

New issues

- Sichuan Communications Overseas Development Co Ltd has priced a USD350mn 3-year bond (guaranteed by Sichuan Transportation Investment Group Corporation Ltd) at 4.98%, tightening from its initial price guidance of 5.3%.
- Everbright SHK (BVI) Ltd has priced a USD200mn 3-year bond (guaranteed by Everbright Sun Hung Kai Company Ltd) at 5.25%, tightening from its initial price guidance of 5.4%.
- SPIC 2018 USD Senior Perpetual Bond Company Ltd has priced a USD500mn Perp NC3.5 (guaranteed by State Power Investment Corporation Ltd) at 5.8%, tightening from its initial price guidance of 6.125%.
- KWG Group Holdings Ltd has priced a USD400mn 2-year bond (sub guarantors: certain non-PRC subsidiaries of issuer) at 9.85%, tightening from its initial price guidance of 10.0%

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
14-Nov-18	Sichuan Communications Overseas Development Co Ltd	USD350mn	3-year	4.98%
14-Nov-18	Everbright SHK (BVI) Ltd	USD200mn	3-year	5.25%
14-Nov-18	SPIC 2018 USD Senior Perpetual Bond Company Ltd	USD500mn	Perp NC3.5	5.8%
14-Nov-18	KWG Group Holdings Ltd	USD400mn	2-year	9.85%
13-Nov-18	Housing & Development Board	SGD500	5-year	2.55%
13-Nov-18	Bank of China Ltd, Hong Kong Branch	CNH1bn	3-year	4.45%
13-Nov-18	Bank of China Ltd., Macau Branch	USD550mn	3-year	3mL+75bps
13-Nov-18	Bank of China Ltd., Macau Branch	USD250mn	5-year	3mL+85bps
13-Nov-18	Industrial Bank Co Ltd/Hong Kong	USD600mn	3-year	3mL+85bps
13-Nov-18	Zhongyuan Bank Co Ltd	USD1.395bn	Perp NC5	5.6%
13-Nov-18	Export-Import Bank of Thailand	USD300mn	USD300mn	3mL+90bps
9-Nov-18	First FZ Bond Ltd	USD200mn	2-year	6.9%
8-Nov-18	Baidu Inc	USD600mn	5.5-year	CT5+133bps
8-Nov-18	Baidu Inc	USD400mn	10-year	CT10+170bps
8-Nov-18	Clifford Capital Pte Ltd	USD300mn	3-year	CT3+40bps
8-Nov-18	CDBL Funding 1	USD400mn	3-year	3mL+125bps

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