

Nov 16, 2018

Credit Headlines: Keppel Corp Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-3bps lower.
- Flows in SGD corporates were heavy yesterday, with better buying seen in SCISP 4.75%-PERPs and better selling seen in HSBC 5.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 153bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 596bps.
- Overall, 10Y UST yields fell 1bps to close at 3.11% on the back of safe haven demand due to concerns over Britain's draft agreement to exit the European Union.

Credit Headlines:

Keppel Corp Ltd ("KEP") | Issuer Profile: Neutral (4).

- Keppel Infrastructure Trust ("KIT"), 18.2%-indirectly owned by Keppel Corp, is buying Ixom, a supplier and distributor of water treatment, industrial and specialty chemicals company in Australia and New Zealand (carved out of Orica in 2014). The enterprise value for Ixom is AUD1.1bn (~SGD1.1bn) and KIT will be buying this company from funds managed by Blackstone and certain managers of Ixom.
- The deal will be funded by a bridge loan of up to SGD750mn and five year senior secured debt of ~SGD531mn that will go towards repaying an existing loan at Ixom of ~SGD431mn, with the balance ~SGD100mn of the senior secured debt going towards the purchase price.
- KIT intends to raise equity to pay down the bridge loan. Keppel Infrastructure Holdings Pte Ltd (wholly-owned subsidiary of KEP and largest unitholder of KIT holding 18.2% of the units) has undertaken that it will subscribe for its pro-rata share in an equity deal to keep its stake in KIT. This implies a cash outlay of SGD137mn on KEP's part. The Ixom transaction was [outside our base case of lowering KEP into Neutral \(4\)](#). On the plus side, funding required from KEP is lower than originally thought.
- As a recap, KEP is also taking its 79.2%-owned subsidiary Keppel Telecommunications & Transportation Ltd private while it is awaiting regulatory clearance before launching a formal offer for M1 Ltd, together with Singapore Press Holdings Ltd. (Company, OCBC)

Table 1: Key Financial Indicators

	16-Nov	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	92	6	5
iTraxx SovX APAC	10	0	0
iTraxx Japan	62	1	4
iTraxx Australia	82	6	4
CDX NA IG	73	7	10
CDX NA HY	104	-1	-2
iTraxx Eur Main	76	6	3
iTraxx Eur XO	314	26	25
iTraxx Eur Snr Fin	97	9	8
iTraxx Sovx WE	27	1	1
AUD/USD	0.728	0.68%	1.88%
EUR/USD	1.133	-0.08%	-2.13%
USD/SGD	1.376	0.23%	-0.07%
China 5Y CDS	68	4	2
Malaysia 5Y CDS	113	8	10
Indonesia 5Y CDS	148	5	3
Thailand 5Y CDS	44	1	1

	16-Nov	1W chg	1M chg
Brent Crude Spot (\$/bbl)	66.62	-5.70%	-17.53%
Gold Spot (\$/oz)	1,214.25	0.38%	-0.87%
CRB	185.54	-3.03%	-7.10%
GSCI	429.98	-3.01%	-11.29%
VIX	19.98	22.13%	13.39%
CT10 (bp)	3.112%	-6.97	-5.11
USD Swap Spread 10Y (bp)	7	0	1
USD Swap Spread 30Y (bp)	-10	-1	-2
TED Spread (bp)	27	0	10
US Libor-OIS Spread (bp)	28	1	9
Euro Libor-OIS Spread (bp)	4	1	0
DJIA	25,289	-3.44%	-1.97%
SPX	2,730	-2.73%	-2.84%
MSCI Asiax	605	1.19%	1.70%
HSI	26,103	-0.47%	2.52%
STI	3,055	-1.25%	0.67%
KLCI	1,694	-1.58%	-2.45%
JCI	5,956	-0.35%	2.67%

New issues

- Agile Group Holdings Ltd has priced a USD400mn 2-year bond (subsidiary guarantors: certain of issuer's restricted subsidiaries incorporated outside of the PRC) at 9.5%, in line with its initial price guidance.
- Thaioil Treasury Center Co Ltd has priced a USD1bn deal across two tranches (guaranteed by Thai Oil Public Co Ltd), with the USD400mn 10-year bond priced at CT10+165bps, tightening from its initial price guidance of CT10+200bps area, and the USD600mn 30-year bond at CT30+210bps, tightening from its initial price guidance of CT30+240bps area.
- Aviation PLC has priced a USD50mn re-tap of its AVTCAP 6.5%'21s at 99.75.
- UBS Group Funding (Switzerland) AG has priced a SGD700mn Perp NC5 AT1 at 5.875%, tightening from its initial price guidance of 6.25%.

Date	Issuer	Size	Tenor	Pricing
15-Nov-18	Agile Group Holdings Ltd	USD400mn	2-year	9.5%
15-Nov-18	Thaioil Treasury Center Co Ltd	USD400mn	10-year	CT10+165bps
15-Nov-18	Thaioil Treasury Center Co Ltd	USD600mn	30-year	CT30+210bps
15-Nov-18	Aviation PLC	USD50mn	AVTCAP 6.5%'21s	99.75
15-Nov-18	UBS Group Funding (Switzerland) AG	SGD700mn	Perp NC5	5.875%
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

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