

Oct 17, 2018

Credit Headlines: Keppel Corporation Limited, CapitaLand Ltd

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 2-4bps higher (with the exception of the 12-year swap rates trading 1bps higher).
- Flows in SGD corporates were heavy yesterday, with better buying seen in HSBC 5.0%-PERPs, SRBJNG 4.11%'25s and DBSSP 3.98%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 492bps.
- 10Y UST yields traded little changed at 3.16% yesterday as investors await the release of the FOMC minutes for clues on the rate-hike path.

Credit Headlines:

Keppel Corporation Limited (“KEP”) | Issuer Profile: Neutral (4)

- Keppel Infrastructure Trust, an 18.2%-associate owned by KEP shared that it is participating in the sale process for Ixom, a manufacturer and distributor of water treatment chemicals and other chemicals based in Australia and New Zealand. Though as yet there is no certainty that a transaction would materialise.
- Ixom Holdco Pty Ltd (“Ixom”) was originally Orica Ltd’s chemical business, bought by Blackstone, a private equity manager in March 2015.
- Reportedly, Ixom may be sold for more than USD1.0bn (~SGD1.375bn). As at 30 September 2018, KIT has SGD226.1mn in cash against short term debt of SGD1.0bn. Assuming that the deal goes through with KIT as buyer, we expect KIT to raise external financing to fund the acquisition and as such we will monitor the situation. (Bloomberg, Company, OCBC).

CapitaLand Ltd (“CAPL”) | Issuer Profile: Neutral (3)

- Reported by Business Times, according to China media, CAPL is looking to buy Star Harbour International Centre (“SHIC”), which is a mixed-use development in Shanghai with a reserve price of RMB12.79bn (SGD2.5bn). While CAPL has yet to deny or affirm the news, we note that CAPL has been turning up the focus on China, having already announced two significant acquisitions in China totalling RMB7.75bn (~SGD1.60bn) in June 2018 and Aug 2018.
- If CAPL were to acquire SHIC at the reserve price, we expect net gearing to climb to ~0.60x (2Q2018: 0.50x), taking also into account the acquisition of 16 multifamily properties for USD835mn (SGD1.14bn) in Sep 2018. (Business Times, OCBC)

Table 1: Key Financial Indicators

	17-Oct	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	87	1	9
iTraxx SovX APAC	10	0	-2
iTraxx Japan	57	1	8
iTraxx Australia	78	3	8
CDX NA IG	64	-2	7
CDX NA HY	106	0	-1
iTraxx Eur Main	73	1	12
iTraxx Eur XO	289	-1	7
iTraxx Eur Snr Fin	89	0	21
iTraxx Sovx WE	27	0	3
AUD/USD	0.714	1.20%	-0.58%
EUR/USD	1.158	0.50%	-0.90%
USD/SGD	1.374	0.69%	-0.15%
China 5Y CDS	65	1	10
Malaysia 5Y CDS	103	0	6
Indonesia 5Y CDS	145	-2	9
Thailand 5Y CDS	43	0	2

	17-Oct	1W chg	1M chg
Brent Crude Spot (\$/bbl)	81.74	-1.62%	4.73%
Gold Spot (\$/oz)	1,225.31	2.55%	1.99%
CRB	199.72	-0.32%	5.31%
GSCI	484.69	-2.36%	4.59%
VIX	17.62	10.47%	28.80%
CT10 (bp)	3.163%	0.04	17.66
USD Swap Spread 10Y (bp)	6	2	-1
USD Swap Spread 30Y (bp)	-8	3	-2
TED Spread (bp)	15	-6	-4
US Libor-OIS Spread (bp)	20	1	1
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,798	-2.39%	-1.01%
SPX	2,810	-2.44%	-2.73%
MSCI Asiax	599	-1.57%	-6.27%
HSI	25,462	-2.72%	-5.46%
STI	3,034	-4.18%	-3.41%
KLCI	1,737	-2.10%	-3.71%
JCI	5,801	0.07%	-0.40%

New issues

- Kookmin Bank has priced a USD300mn 3-year sustainability bond at CT3+80bps, tightening from its initial price guidance of CT3+105bps area.
- Development Bank of Mongolia LLC has priced a USD500mn 5-year bond at 7.5%, tightening from its initial price guidance of 8.25%.
- SPIC Luxembourg Latin America Renewable Energy Investment Co Ltd has scheduled for investor meetings from 18 Oct for its potential USD bond issuance.
- Mirae Asset Daewoo Co Ltd has scheduled for investor meetings from 22 Oct for its potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
17-Oct-18	Kookmin Bank	USD300mn	3-year	CT3+80bps
17-Oct-18	Development Bank of Mongolia LLC	USD500mn	5-year	7.5%
15-Oct-18	SDG Finance I Ltd	USD600mn	3-year	CT3+255bps
15-Oct-18	Weifang Urban Construction and Development Investment Group Co Ltd	USD250mn	3-year	6.5%
15-Oct-18	Korea Expressway Corp	USD300mn	3-year	CT3+80bps
13-Oct-18	Capital Environment Holdings Ltd	USD50mn	BEICAP 5.625'21s	5.735% + accrued interest
12-Oct-18	Cheergain Group Ltd	USD226mn	3-year	15.0%
12-Oct-18	People's Republic of China	USD1.5bn	5-year	CT5+30bps
12-Oct-18	People's Republic of China	USD1.0bn	10-year	CT10+45bps
12-Oct-18	People's Republic of China	USD500mn	30-year	CT30+70bps
11-Oct-18	Zijin International Capital Co	USD350mn	3-year	CT3+230bps
11-Oct-18	Yieldking Investment Ltd	USD500mn	3-year	4.80%
11-Oct-18	Anhui Provincial Investment Group Holding Co Ltd	USD400mn	3-year	CT3+200bps
11-Oct-18	Beijing Environment (BVI) Co	USD225mn	3-year	5.30%
10-Oct-18	Cagamas Global PLC	SGD160mn	2-year	2.79%
9-Oct-18	Maoye International Holdings Ltd	USD100mn	MAOIH 13.25%'20s	100 + accrued interest

Source: OCBC, Bloomberg

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

Seow Zhi Qi

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
zhigiseow@ocbc.com

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