

June 20, 2018

Credit Headlines: Banyan Tree Holdings Limited, Singapore Post Limited

Market Commentary

- The SGD curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 3-4bps lower.
- Flows in SGD corporates were heavy yesterday, with better buying seen in HSBC 4.7%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 141bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 457bps.
- 10Y UST yields traded volatile yesterday as yields fell by 5bps to 2.85% as trade tensions between China and the United States intensified after President Donald Trump threatened to impose tariffs on \$200bn worth of Chinese goods. However, yields were offset by 5bps to close at 2.90%, following the housing starts data report which rose 5% to a seasonally adjusted annual rate of 1.35 million units, the highest since July 2007.

Credit Headlines:

Banyan Tree Holdings Limited (“BTH”) | Issuer Profile: Neutral (5)

- BTH has announced that the option held by Accor S.A (“Accor”) to acquire up to 10% of BTH on a fully diluted basis has lapsed on 19 June 2018 and is no longer exercisable by Accor.
- On 27 April 2017, BTH had entered into two agreements with Accor as part of a broader strategic collaboration between the parties to co-develop hotels (including branded serviced residences) and branded residences under the Banyan Tree, Angsana, Cassia and Dhawa brands. The transaction also saw (1) Accor S.A agreeing to take up an irredeemable convertible debenture (“debenture”) and (2) BTH granting share options to Accor.
- BTH had issued the debenture amounting to SGD24.0mn in August 2017 and the proceeds had been fully used to repay existing debt and interest. The debenture has since been converted into ordinary shares.
- Our issuer profile for BTH had considered the cash infusion of SGD24.0mn from Accor, though the further uplift from the option was not part of our base case. Net-net, we see the lapse in option as a credit neutral event and continue to hold BTH at Neutral (5). (Company, OCBC)

Singapore Post Limited (“SPOST”) | Issuer Profile: Neutral (3)

- SPOST’s Group CFO/Deputy Group CEO (Corporate Services) Mr Mervyn Lim had resigned from the company to pursue other career opportunities. Mr Lim was appointed to the role in September 2015 and his effective date of cessation will be in September 2018. SPOST has yet to name a successor and disclosed that a search for a new Group CFO is underway.
- We think this has a manageable impact to SPOST given that SPOST had appointed Mr Paul William Coutts as Group CEO in June 2017 (after one year of search). SPOST’s Chairman, Mr Simon Israel, appointed in mid-2016 to improve the corporate governance at SPOST and lead the board, is still with the company. These should [lend stability](#) to SPOST while it searches for a new Group CFO. We maintain SPOST’s issuer profile at Neutral (3). (Company, OCBC)

Table 1: Key Financial Indicators

	20-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	81	4	6
iTraxx SovX APAC	14	1	1
iTraxx Japan	53	1	6
iTraxx Australia	72	2	6
CDX NA IG	63	-1	1
CDX NA HY	107	0	0
iTraxx Eur Main	68	-1	9
iTraxx Eur XO	301	2	21
iTraxx Eur Snr Fin	79	-2	11
iTraxx Sovx WE	23	-2	1
AUD/USD	0.739	-2.49%	-2.55%
EUR/USD	1.159	-1.70%	-1.70%
USD/SGD	1.356	-1.50%	-1.16%
China 5Y CDS	58	3	2
Malaysia 5Y CDS	104	6	20
Indonesia 5Y CDS	138	11	13
Thailand 5Y CDS	47	2	2

	20-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	75.08	-1.05%	-4.37%
Gold Spot (\$/oz)	1,275.39	-1.84%	-1.33%
CRB	193.82	-3.16%	-4.84%
GSCI	462.65	-2.90%	-5.41%
VIX	13.35	8.18%	-0.52%
CT10 (bp)	2.897%	-6.41	-15.92
USD Swap Spread 10Y (bp)	7	0	3
USD Swap Spread 30Y (bp)	-6	-1	2
TED Spread (bp)	41	1	-3
US Libor-OIS Spread (bp)	41	-2	-3
Euro Libor-OIS Spread (bp)	3	0	0
DJIA	24,700	-2.45%	-0.06%
SPX	2,763	-0.87%	1.83%
MSCI Asiax	690	-4.40%	-3.56%
HSI	29,468	-5.14%	-5.09%
STI	3,301	-4.08%	-6.46%
KLCI	1,715	-3.40%	-7.50%
JCI	5,994	0.17%	0.62%

New issues

- Greenland Hong Kong Holdings Ltd has priced a USD200mn 364-day note at 7.875%, in line with its initial price guidance.
- Korea Development Bank has priced a CNH1.75bn 3-year bond at 4.6%, in line with its initial price guidance.
- Far East Horizon Ltd has scheduled for investor meetings from 20 Jun for its potential USD FRN issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
19-Jun-18	Korea Development Bank	CNH1.75bn	3-year	4.6%
19-Jun-18	Greenland Hong Kong Holdings Ltd	USD200mn	364-day	7.875%
15-Jun-18	Greenland Global Investment Ltd	USD250mn	3.25-year	3mL+485bps
14-Jun-18	CFLD Cayman Investment Ltd	USD200mn	3-year	9%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	HKD2.6bn	2-year	3.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	5-year	3mL+85bps
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	3-year	3mL+75bps
12-June-18	Mapletree Treasury Services Ltd	SGD200mn	3-year	2.888%
12-June-18	New Metro Global Ltd	USD200mn	3.75-year	8%
11-June-18	National Australia Bank Ltd/New York	USD500mn	3.25-year	CT3+80bps
11-June-18	National Australia Bank Ltd/New York	USD750mn	5-year	CT5+90bps
11-June-18	National Australia Bank Ltd/New York	USD350mn	3.25-year	3mL+58bps
11-June-18	Qingdao Jiaozhou Bay Development Co Ltd	USD120mn	3-year	6.9%
11-June-18	China Aoyuan Property Group Ltd (re-tap)	USD225mn	CAPG 7.5%'21	8.25%
7-June-18	Asian Development Bank (re-tap)	GBP100mn	ASIA 1.375%'23	99.985+accrued interest
7-June-18	Export-Import Bank of Korea	CNH1.5bn	3-year	4.65%
7-June-18	ASB Bank Ltd	USD500mn	5-year	3mL+97bps

Source: OCBC, Bloomberg

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