

Sept 20, 2018

Credit Headlines: Mapletree Logistics Trust, CWT International Limited, Keppel Corporation Limited, Hyflux Ltd

Market Commentary

- The SGD swap curve bear steepened yesterday, with swap rates trading 0-4bps higher across shorter term (0-5yr) tenors and 4-6bps higher for tenors beyond 5yrs.
- Flows in SGD corporates were heavy yesterday, with better buying seen in HSBC 5.0%-PERPs, DBSSP 3.98%-PERPs, HSBC 4.7%-PERPs and CMZB 4.2'28s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 140bps yesterday while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 484bps.
- 10Y UST yields remained broadly stable, reaching a high of 3.07% during the European session before closing at 3.06%.

Credit Headlines:

Mapletree Logistics Trust ("MLT"): | Issuer Profile: Neutral (4)

- MLT launched and closed overnight equity private placement. Each new unit was priced at SGD1.21, representing a 4.4% discount to the volume weighted average price of all trades done for the full market day on 19 September 2018. MLT raised gross proceeds of ~SGD375.0mn with the book ~2.4x covered. 87% of the gross proceeds is intended to partly finance the earlier announced proposed acquisition of [5 warehouses from CWT Pte Ltd](#) ("CWT SG") and the remaining will go towards paying the upfront land premium and balance lease payable to JTC Corporation, stamp duties and other transaction costs. Including transaction costs and payments to JTC Corporation, the total acquisition cost to be borne by MLT would be ~SGD805.9mn. Assuming that the remaining ~SGD430.9mn is fully debt-funded, we expect MLT's aggregate leverage to rise to ~38% (30 June 2018: 36.4%).
- On 16 August 2018, the shareholders at CWT International Limited (parent company of CWT SG) had approved the proposed sale of CWT SG warehouses to MLT. We hold MLT's issuer profile at Neutral (4). (Company, OCBC)

CWT International Limited ("CWTI"): | Issuer Profile: Negative (6)

- Reportedly major shareholders of CWTI (namely HNA Group) is seeking a buyer for CWTI's wholly-owned subsidiary CWT Pte Ltd ("CWT SG"), targeting buyers from outside China. This comes on the back of HNA Group pursuing other asset divestments.
- Incidentally, in April 2018, Temasek and the HNA Group signed a memorandum of understanding ("MOU") to explore opportunities in aviation and logistics, and airport infrastructure. While details of the MOU was not provided, we believe there are certain assets within the HNA Group which could be highly attractive for Temasek and other foreign buyers as investment targets.
- For example, in July 2018, Temasek along with RRJ Capital, a private equity investment manager jointly invested in an exchangeable bond ("EB") issued by gategroup for an undisclosed sum. The 5 year EB will result in an up to 49%-equity stake in gategroup upon mandatory conversion. gategroup is a major airline caterer and airport service provider based in Switzerland. HNA Group acquired gategroup two years ago. (Reuters, OCBC)

Credit Headlines (cont'd):

Keppel Corporation Limited (“KEP”): | Issuer Profile: Neutral (3)

- KEP’s China property arm, Keppel Land China has formed a joint venture with Gemdale (Group) Co., Ltd (“Gemdale Corp”) to jointly develop a prime residential site in Nanjing, China.
- Keppel Land China has entered into a share purchase agreement with Gemdale Corp and the latter’s related nominee to acquire Eternal Commercial Limited (“Eternal”). Post-completion, Eternal will become an indirect wholly-owned subsidiary of KEP. Eternal will hold ~40% in a project company that owns the Nanjing land site, with the remaining owned by wholly-owned subsidiaries of Gemdale Corp.
- The acquisition of Eternal and Eternal’s 40%-stake in the project will cost KEP RMB1.4bn (~SGD283mn), payable in cash and in separate payments, with final payment expected to take place in 4Q2018. We see this transaction as credit neutral for KEP. (Company, OCBC)

Hyflux Ltd (“HFY”): | Issuer Profile: Unrated

- In conjunction with court orders granting a six-month moratorium over HFY and four of its subsidiaries (aside from Tuaspring Pte Ltd (“Tuaspring”), HFY was required to submit to the court within three months from 19 June 2018, an affidavit updating on the progress of the reorganisation. HFY announced that the court has granted the company and four of its subsidiaries an extension of time until 21 September 2018 to file this affidavit.
- Earlier on 6 July 2018, the company announced that it had [separately reached an agreement](#) with Malayan Banking Berhad (“Maybank”), the sole secured creditor at Tuaspring on the proposed divestment of Tuaspring Integrated Water and Power Plant (“Tuaspring IWPP”). As part of the agreement, HFY is to execute a binding agreement with a successful bidder/investor for Tuaspring IWPP by 15 October 2018. Assuming this date is unachievable, in our view, HFY would need to renegotiate with its sole secured lender on a timing extension. Failing which, Maybank would be able to start enforcement proceedings against Tuaspring (including over Tuaspring IWPP). As a recap, Maybank has granted a forbearance to HFY and Tuaspring is not under a six-month court moratorium.
- While it appears there is no obligation to provide an update with regards to the Tuaspring entity on 21 September 2018, we expect HFY to provide some progress update on this front given the importance of Tuaspring to the recovery values, if any, for bondholders, preference and perpetual holders. In the off chance there is no update on Tuaspring on 21 September 2018, the next critical milestone to look out for is 15 October 2018. (Company, OCBC)

Table 1: Key Financial Indicators

	20-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	76	-2	-6
iTraxx SovX APAC	12	0	1
iTraxx Japan	50	-2	-5
iTraxx Australia	70	-2	-5
CDX NA IG	56	0	-5
CDX NA HY	107	0	1
iTraxx Eur Main	61	1	-10
iTraxx Eur XO	277	-1	-27
iTraxx Eur Snr Fin	68	0	-18
iTraxx Sovx WE	24	-1	-4
AUD/USD	0.726	0.93%	-1.06%
EUR/USD	1.168	-0.06%	1.75%
USD/SGD	1.368	0.16%	0.07%
China 5Y CDS	55	0	-6
Malaysia 5Y CDS	94	-4	6
Indonesia 5Y CDS	133	-1	10
Thailand 5Y CDS	40	0	-1

	20-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	79.58	1.79%	10.21%
Gold Spot (\$/oz)	1,205.95	0.37%	1.30%
CRB	191.77	-0.82%	1.40%
GSCI	471.95	1.65%	4.33%
VIX	11.75	-10.58%	-5.92%
CT10 (bp)	3.063%	9.26	24.36
USD Swap Spread 10Y (bp)	6	-1	-2
USD Swap Spread 30Y (bp)	-7	-1	-1
TED Spread (bp)	20	0	-8
US Libor-OIS Spread (bp)	16	-3	-9
Euro Libor-OIS Spread (bp)	4	1	0
DJIA	26,406	1.56%	2.51%
SPX	2,908	0.66%	1.78%
MSCI Asiax	648	1.21%	-0.59%
HSI	27,584	2.11%	-0.05%
STI	3,182	1.61%	-0.71%
KLCI	1,810	0.97%	1.25%
JCI	5,905	0.80%	0.22%

New issues

- ICICI Bank UK PLC priced a SGD100mn 10NC5 Tier 2 issue at 5.375%.
- BOC Aviation Ltd priced a USD500mn 5 year FRN at 3mL+112.5bps tightening from its initial price guidance of 3mL+135bps area.
- Country Garden Holdings Company Ltd priced a USD425mn long 3NC2 bond (guaranteed by certain of the Issuer's Restricted Subsidiaries outside the PRC) at 7.125% (tightening from its initial price guidance of 7.5% area) and a USD550mn 5NC3 bond at 8.0% (tightening from its initial price guidance of 8.375% area).
- Zhenro Properties Group Ltd priced a USD280mn 2.25yr bond (guaranteed by certain non-PRC restricted subsidiaries of the issuer) at 13.70%, tightening from its initial price guidance of 13.825% area.
- Easy Tactic Limited priced a USD200mn 3NC2 bond (Guarantors: R&F Properties (HK) Company Limited and certain Non-PRC subsidiaries of Guangzhou R&F Properties Co., Ltd. Keepwell Provider: Guangzhou R&F Properties Co., Ltd.) at 8.875%, tightening from its initial price guidance of 9.0%.
- Maoye Intl Holdings Ltd priced a USD150mn 2NPNC1 bond (guaranteed by certain non-PRC restricted subsidiaries of the issuer) at 13.25%.
- Agricultural Development Bank of China priced a USD700mn 3 year FRN at 3mL+62bps (tightening from its initial price guidance of 3mL+85bps area) and a CNH1.2bn 2 year bond at 4.16% (tightening from its initial price guidance of 4.45% area).
- Asian Development Bank priced a USD750mn 10 year bond at MS+11bps, tightening from its initial price guidance of MS+12bps area.
- JT International Financial Services B.V. priced a 2 tranche deal (guaranteed by Japan Tobacco Inc.) with the USD525mn 5 year bond priced at CT5+65bps (tightening from its initial price guidance of CT5+90bps) and the USD500mn 10 year bond priced at CT10+90bps (tightening from its initial price guidance of CT10+110bps). JT International Financial Services B.V. also priced a GBP400m 15 year bond at UKT +110bps (tightening from initial price guidance of UKT+130/135bps) and EUR550mn 7 year FRN at MS+60bps (tightening from its initial price guidance of MS+80/85bps).
- Japan Finance Organization for Municipalities priced a USD1bn 5 year bond at MS+41bps, tightening from its initial price guidance of MS+44bps.
- State Bank of India, London Branch priced a USD650mn 4.5% 5 year green bond at T+165bps.
- CSSC Capital One Limited / CSSC Capital Two Limited priced a USD485mn 3 year bond at CT3+125bps (tightening from its initial price guidance of CT3+155bps area) and a EUR300mn 5 year bond at MS+140bps (tightening from its initial price guidance of MS+150-155bps area).
- Hainan Airlines (Hong Kong) Co. (wholly-owned offshore subsidiary of Hainan Airlines Holding Co.) has scheduled an investor roadshow from Sept 20 for a potential USD bond issue.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
19-Sept-18	ICICI Bank UK PLC	SGD100mn	10-year	5.375%
19-Sept-18	BOC Aviation Ltd	USD500mn	5-year	3mL+112.5bps
19-Sept-18	Country Garden Holdings Company Ltd	USD425mn	3-year	7.125%
19-Sept-18	Country Garden Holdings Company Ltd	USD550mn	5-year	8.0%
19-Sept-18	Zhenro Properties Group Ltd	USD280mn	2.25-year	13.70%
19-Sept-18	Easy Tactic Limited	USD200mn	3-year	8.875%
19-Sept-18	Maoye Intl Holdings	USD150mn	2-year	13.25%
19-Sept-18	Agricultural Development Bank of China	USD700mn	3-year	3mL+62bps
19-Sept-18	Agricultural Development Bank of China	CNH1.2bn	2-year	4.16%
19-Sept-18	Asian Development Bank	USD750mn	10-year	MS+11bps
19-Sept-18	JT International Financial Services B.V.	USD525mn	5-year	CT5+65bps
19-Sept-18	JT International Financial Services B.V.	USD500mn	10-year	CT10+90bps
19-Sept-18	Japan Finance Organization for Municipalities	USD1bn	5-year	MS+41bps
19-Sept-18	State Bank of India, London Branch	USD650mn	5-year	T+165bps
19-Sept-18	CSSC Capital One Limited / CSSC Capital Two Limited	USD485mn	3-year	CT3+125bps
18-Sept-18	SCIG International Financial Ltd	USD300mn	3-year	4.88%
18-Sept-18	SIHC International Capital Ltd	USD400mn	3-year	CT3+135bps
18-Sept-18	SIHC International Capital Ltd	USD300mn	5-year	CT5+155bps
18-Sept-18	China Merchant Bank Co Ltd, Hong Kong Branch	USD400mn	3-year	3mL+77.5bps
18-Sept-18	China Merchant Bank Co Ltd, Hong Kong Branch	USD400mn	5-year	CT5+115bps
18-Sept-18	Nissan Motor Acceptance Corp	USD400mn	3-year	CT3+78bps

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