

June 22, 2018

Credit Headlines: CW Group Holdings Ltd

Market Commentary

- The SGD swap curve bear-steepened yesterday, with swap rates for the shorter tenors trading 3bps higher while the longer tenors traded 2-3bps higher.
- Flows in SGD corporates were light yesterday.
- 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 6bps to 465bps.
- 10Y UST yields fell 4bps to 2.90% yesterday, on the back of continuing concerns over US trade war with China as well as weaker-than-expected US economic data.

Credit Headlines:

CW Group Holdings Ltd (“CW”) | Issuer Profile: Unrated

- CW announced yesterday that it won't be redeeming its SGD55.25m senior unsecured bond that matures on Monday June 25th. The issuer is CW Advanced Technologies Pte Ltd but CW is the obligor.
- The company is a HK listed manufacturer and distributor of machine tools with 5 business segments comprising: (1) provision of precision engineering solutions; (2) sale of Computer Numeric Control machining centres; (3) sale of components and parts; (4) after-sales technical support and maintenance services; and (5) renewable energy solutions. Industries served include construction materials, precision machine tool engineering, energy, electronic and semi-conductor, automotive, oil, gas and marine, and aerospace industries.
- The original face value of the bond was SGD75mn however following three rounds of offers to buy back the notes in April, June and September 2017, the principal amount was reduced to SGD55.25mn. The buy-back offers were at 90%-95% of principal plus accrued interest.
- A high level review of FY2017 results indicate adequate operating and financial performance and although absolute leverage has risen and cash balances have fallen y/y, net gearing and coverage ratios do not appear to indicate significant distress.
- The company had been seeking since early April 2018 to tap the SGD bond market again with Series 2 notes to refinance its Series 1 Notes, repay bank loans and pay dividends. However due to market conditions, efforts to tap the market have been unsuccessful. Unfavourable market conditions and an inability to secure alternate financing has therefore translated into material liquidity issues, which have been compounded by a statutory demand from the Bank of China (Hong Kong) Ltd for the immediate repayment of general banking facilities of HKD157.5mn (purpose was to part refinance the Series 1 notes) and USD14.5mn (purpose was for trade finance).
- We think the issues facing CW could be part systemic and part idiosyncratic. We remain mindful of high yield credits having adequate access to liquidity, particularly where they have large maturities upcoming. Please note that we do not cover CW (OCBC, Company)

Table 1: Key Financial Indicators

	22-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	81	2	7
iTraxx SovX APAC	14	1	2
iTraxx Japan	52	1	6
iTraxx Australia	72	2	6
CDX NA IG	65	5	3
CDX NA HY	106	-1	0
iTraxx Eur Main	71	5	11
iTraxx Eur XO	308	13	28
iTraxx Eur Snr Fin	83	6	15
iTraxx Sovx WE	25	2	4
AUD/USD	0.739	-0.73%	-2.48%
EUR/USD	1.161	0.03%	-1.41%
USD/SGD	1.358	-0.50%	-1.38%
China 5Y CDS	58	1	3
Malaysia 5Y CDS	105	6	23
Indonesia 5Y CDS	136	6	16
Thailand 5Y CDS	46	1	1

	22-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	74.14	0.95%	-6.82%
Gold Spot (\$/oz)	1,267.62	-0.89%	-1.82%
CRB	194.40	-2.32%	-5.72%
GSCI	460.73	-2.83%	-6.89%
VIX	14.64	20.79%	10.74%
CT10 (bp)	2.908%	-1.28	-15.20
USD Swap Spread 10Y (bp)	7	0	4
USD Swap Spread 30Y (bp)	-8	-1	2
TED Spread (bp)	42	-1	-3
US Libor-OIS Spread (bp)	39	-2	-4
Euro Libor-OIS Spread (bp)	3	0	0
DJIA	24,462	-2.83%	-1.50%
SPX	2,750	-1.18%	0.93%
MSCI Asiax	686	-4.89%	-4.24%
HSI	29,296	-4.65%	-6.21%
STI	3,300	-2.73%	-6.86%
KLCI	1,692	-4.04%	-8.28%
JCI	5,822	-4.38%	1.24%

New issues

- Horse Gallop Finance Ltd has priced a USD700mn 3-year FRN (guaranteed by ICBC International Holdings Ltd) at 3mL+118bps, tightening from its initial price guidance of 3mL+145bps area.
- Zhenro Properties Group Ltd has priced a USD250mn 2-year bond at 11.5%, in line with its initial price guidance.
- SK Innovation Co Ltd has hired banks for its potential USD bond issuance.
- Korea East-West Power Co Ltd has scheduled for investor meetings from 28 Jun for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
21-Jun-18	Horse Gallop Finance Ltd	USD700mn	3-year	3mL+118bps
21-Jun-18	Zhenro Properties Group Ltd	USD250mn	2-year	11.5%
20-Jun-18	Guangsha Holding Group Co Ltd	USD300mn	364-day	7.0%
20-Jun-18	GS Caltex Corp	USD300mn	5-year	CT5+120bps
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	9.0%
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	8.0%

Source: OCBC, Bloomberg

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