

Nov 26, 2018

**Credit Headlines:** CMA CGM, GuocoLand Ltd

## **Market Commentary**

- The SGD swap curve flattened last Friday, with swap rates trading 1-2bps lower across most tenors.
- Flows in SGD corporates were heavy last Friday, with better buying seen in UBS 5.875%-PERPs and DBSSP 3.98%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 157bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 623bps.
- 10Y UST yields fell 4bps to 3.03%, the lowest in eight weeks on the back of safe haven demand due to continued weakness in stock and oil prices. Yields subsequently rose 1 bps to close at 3.04%.

## **Credit Headlines:**

### **CMA CGM (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Neutral (4)**

- CMA CGM announced 3Q2018 results. Revenue increased 6.3% y/y to USD6.06bn, largely driven by the 5.5% y/y boost in volumes traded particularly in the Transpacific, India/Oceania and Africa lines. Unlike previous quarter, revenue per container transported increased by 0.8% y/y (2Q2018: -2.1% y/y).
- Operating expenses surged 13.6% y/y to USD5.67bn, on the back of higher bunker prices and volumes carried. Components of operating expenses incurred in EUR (such as Handling and stevedoring) have also been negatively impacted by the appreciation of EUR against USD. Consequentially, core EBIT plunged 57.6% y/y to USD241.1mn. That being said, EBIT margin improved q/q from 1.2% in 2Q2018 to 4.0% this quarter due to stronger top line figures. Net profit, though 238.1% higher q/q at USD110.9mn, is down 64.9% y/y. EBITDA/Interest coverage was also significantly lower y/y at 3.1x versus 5.8x in 3Q2017.
- Operating cash flow (including interest service) was negative USD313.3mn versus positive USD468.6mn in 3Q2017 because CMA CGM paid off some trade creditors (USD355.1mn) and accumulated more trade receivables (USD216.9mn). Maintaining its capex q/q (3Q2018: USD101.6mn, 2Q2018: USD103.8mn), CMA CGM generated negative free cash flow is USD286.4mn.
- Net gearing inched higher to 134% (2Q2018: 129%) largely due to lower cash. Following CMA CGM's further acquisition of a 7.88% stake in CEVA Logistics in the quarter leading to an aggregate stake of 32.87%, CMA CGM signed a new cooperation agreement with CEVA on 24 October to strengthen their development project and announced the next day, on 25 October its intention to make a tender offer to shareholders of CEVA at CHF 30 per share. The effective completion of the takeover bid is subject to regulatory approval. We are currently evaluating the impact of the results and the possible tender offer on CMA CGM's Neutral (4) Issuer Profile (Company, OCBC)

### **GuocoLand Ltd (“GUOL”) | Issuer Profile: Neutral (5)**

- GUOL announced the groundbreaking of Guoco Midtown, which is the name of the site at Beach Road that the [GUOL JV won in Oct 2017](#). Guoco Midtown is expected to be completed by 1H2022.
- The announced plan for the development with a total GFA of 950,500 sqft includes 770,000 sq ft of Grade A office space, 30,000 sq ft of retail and entertainment and more than 200 units of residences. (Company, OCBC)

**Table 1: Key Financial Indicators**

|                    | 26-Nov | 1W chg (bps) | 1M chg (bps) |
|--------------------|--------|--------------|--------------|
| iTraxx Asiax IG    | 98     | 4            | 5            |
| iTraxx SovX APAC   | 11     | 0            | 0            |
| iTraxx Japan       | 65     | 1            | 6            |
| iTraxx Australia   | 90     | 5            | 6            |
| CDX NA IG          | 80     | 3            | 10           |
| CDX NA HY          | 103    | 0            | -1           |
| iTraxx Eur Main    | 81     | 1            | 4            |
| iTraxx Eur XO      | 335    | 9            | 31           |
| iTraxx Eur Snr Fin | 105    | 3            | 10           |
| iTraxx Sovx WE     | 28     | -1           | 0            |
| AUD/USD            | 0.724  | -0.78%       | 2.07%        |
| EUR/USD            | 1.134  | -1.00%       | -0.56%       |
| USD/SGD            | 1.375  | -0.18%       | 0.37%        |
| China 5Y CDS       | 74     | 2            | 1            |
| Malaysia 5Y CDS    | 120    | 3            | 7            |
| Indonesia 5Y CDS   | 154    | 3            | -5           |
| Thailand 5Y CDS    | 46     | 0            | 2            |

|                            | 26-Nov   | 1W chg  | 1M chg  |
|----------------------------|----------|---------|---------|
| Brent Crude Spot (\$/bbl)  | 59.29    | -11.23% | -23.62% |
| Gold Spot (\$/oz)          | 1,224.37 | 0.02%   | -0.74%  |
| CRB                        | 179.60   | -3.20%  | -8.13%  |
| GSCI                       | 403.56   | -6.15%  | -13.78% |
| VIX                        | 21.52    | 7.71%   | -10.93% |
| CT10 (bp)                  | 3.048%   | -1.47   | -2.74   |
| USD Swap Spread 10Y (bp)   | 6        | 1       | 0       |
| USD Swap Spread 30Y (bp)   | -11      | 0       | 0       |
| TED Spread (bp)            | 30       | -1      | 12      |
| US Libor-OIS Spread (bp)   | 34       | 2       | 9       |
| Euro Libor-OIS Spread (bp) | 4        | 1       | 0       |
| DJIA                       | 24,286   | -3.97%  | -1.63%  |
| SPX                        | 2,633    | -3.58%  | -0.98%  |
| MSCI Asiax                 | 597      | -1.67%  | 4.14%   |
| HSI                        | 25,928   | -0.98%  | 4.90%   |
| STI                        | 3,052    | -1.01%  | 2.71%   |
| KLCI                       | 1,696    | 0.10%   | 0.76%   |
| JCI                        | 6,006    | 0.85%   | 3.83%   |

## New issues

- CFLD (Cayman) Investment Ltd has priced a USD100mn re-tap of its CHFOTN 9.0%'21s (guaranteed by China Fortune Land Development Co Ltd) at 8.99%, tightening from the final price guidance of 9.0%.
- Bank of China, Tokyo Branch has priced a CNH800mn 2-year bond at 4.35%, tightening from its initial price guidance of 4.65%.
- Chongqing Nan'an Urban Construction & Development (Group) Co Ltd has scheduled for investor meetings from 26 Nov for its potential USD bond issuance.
- Guangxi Liuzhou Dongcheng Investment Development Group Co Ltd has scheduled for investor meetings from 26 Nov for its potential USD bond issuance.
- Huaibei City Construction Investment Holding Group Co Ltd has scheduled for investor meetings from 27 Nov for its potential USD bond issuance (standby letter of credit provider: Huishang Bank Corporation Ltd).

| <u>Date</u> | <u>Issuer</u>   | <u>Size</u> | <u>Tenor</u>         | <u>Pricing</u> |
|-------------|---|-------------|----------------------|----------------|
| 23-Nov-18   | CFLD (Cayman) Investment Ltd                          | USD100mn    | CHFOTN 9.0%'21s      | 8.99%          |
| 23-Nov-18   | Bank of China, Tokyo Branch                           | CNH800mn    | 2-year               | 4.35%          |
| 22-Nov-18   | Yancoal International Resources Development Co Ltd    | USD275mn    | 3-year               | 6.0%           |
| 22-Nov-18   | Haichuan International Investment Co Ltd              | USD100mn    | 3-year               | 7.5%           |
| 22-Nov-18   | Greenland Global Investment Limited                   | USD80mn     | GRNLGR<br>9.125%'20s | 9.25%          |
| 21-Nov-18   | Yunnan Energy Investment Overseas Finance Company Ltd | USD200mn    | 3-year               | 6.75%          |
| 21-Nov-18   | Hongkong Land Treasury Services (Singapore) Pte Ltd   | SGD140mn    | 20-year              | 3.95%          |
| 19-Nov-18   | Takeda Pharmaceutical Co Ltd                          | USD1bn      | 2-year               | CT2+105bps     |
| 19-Nov-18   | Takeda Pharmaceutical Co Ltd                          | USD1.25bn   | 3-year               | CT3+120bps     |
| 19-Nov-18   | Takeda Pharmaceutical Co Ltd                          | USD1.5bn    | 5-year               | CT5+155bps     |
| 19-Nov-18   | Takeda Pharmaceutical Co Ltd                          | USD1.75bn   | 10-year              | CT10+200bps    |
| 19-Nov-18   | DBS Bank Ltd  | USD1.25bn   | 3-year               | MS+31bps       |
| 19-Nov-18   | The Export-Import Bank of Korea                       | USD500mn    | 3-year               | CT3+67.5bps    |
| 19-Nov-18   | The Export-Import Bank of Korea                       | USD500mn    | 5-year               | CT5+87.5bps    |
| 19-Nov-18   | Scenery Journey Ltd                                   | USD1bn      | TIANHL 11.0%'20s     | 100            |

Source: OCBC, Bloomberg

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