

Nov 27, 2018

**Credit Headlines:** Hyflux Ltd

## **Market Commentary**

- The SGD swap curve flattened yesterday, with swap rates trading 0-2bps lower across most tenors.
- Flows in SGD corporates were heavy yesterday, with better buying seen in DBBSP 3.98%-PERPs and CMZB 4.2%'28s and better selling in UBS 5.875%-PERPs.
- Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged at 157bps and 623bps respectively.
- Overall, 10Y UST yields rose 2bps to close at 3.06% ahead of the sale of USD129bn new supply of treasury notes this week as well as a rally in stock prices.

## **Credit Headlines:**

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

- HFY announced that the court has granted a moratorium extension for the holding company as well as four of its subsidiaries, namely Hydrochem (S) Pte Ltd, Hyflux Engineering Pte Ltd, Hyflux Membrane Manufacturing (S) Pte. Ltd., and Hyflux Innovation Centre Pte. Ltd. until 30 April 2019 (around four months extension from the original moratorium end date). 30 April 2019 is also the longstop date, where the proposed new equity investor (ie: SM Investments) is entitled to withdraw from the offer. As a recap, the SM Investments new equity deal is subject to a debt restructuring deal going through.
- The hearing for HFY’s application to obtain super priority rescue financing has been adjourned to January 2019 with the exact date to be scheduled. The rescue financing is intended to be collateralised against certain assets.
- Whilst there has been various media reports floating early draft terms on a proposed restructuring deal, the company has announced that it continues to engage various stakeholder groups which is expected to continue at least, over the next one to two months and the company is not yet ready to present a finalised and definitive restructuring proposal.
- Regardless of whether there was basis for such reports, in our view, bondholders, perpetual and preference shareholders should use the time to seek clarification over the status and valuation of assets (to the extent possible). Apart from Tuaspring, which had a net book value of ~SGD907.5mn as at 31 March 2018’s consolidated financial statements, the company had also reported service concession receivables of SGD1.18bn. These represent sums to be received from offtakers in exchange for services that have been performed. In general, while such receivables tend to be long-term, they can be (1) sold (2) used as collateral to raise secured financing and (3) monetisable via securitisation. While structural subordination dictates that lenders at the operating level have first claim on these assets, remaining value can be upstreamed to the holding company. (Company, OCBC)

**Table 1: Key Financial Indicators**

	27-Nov	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	96	-3	4
iTraxx SovX APAC	10	0	0
iTraxx Japan	65	0	5
iTraxx Australia	87	-1	5
CDX NA IG	79	0	8
CDX NA HY	104	0	-1
iTraxx Eur Main	79	-2	3
iTraxx Eur XO	330	0	29
iTraxx Eur Snr Fin	100	-6	7
iTraxx Sovx WE	27	-3	0
AUD/USD	0.722	0.08%	2.34%
EUR/USD	1.134	-0.31%	-0.33%
USD/SGD	1.375	0.01%	0.65%
China 5Y CDS	73	-2	1
Malaysia 5Y CDS	117	-3	4
Indonesia 5Y CDS	149	-8	-10
Thailand 5Y CDS	46	-1	2

	27-Nov	1W chg	1M chg
Brent Crude Spot (\$/bbl)	60.48	-9.45%	-22.08%
Gold Spot (\$/oz)	1,222.68	0.08%	-0.55%
CRB	180.30	-3.74%	-7.78%
GSCI	407.89	-5.66%	-12.86%
VIX	18.9	4.19%	-21.77%
CT10 (bp)	3.055%	-0.74	-2.01
USD Swap Spread 10Y (bp)	6	0	0
USD Swap Spread 30Y (bp)	-12	-1	0
TED Spread (bp)	30	-1	12
US Libor-OIS Spread (bp)	33	2	9
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	24,640	-3.04%	-0.19%
SPX	2,673	-2.30%	0.56%
MSCI Asiax	606	1.31%	5.63%
HSI	26,376	0.02%	6.71%
STI	3,093	0.92%	4.08%
KLCI	1,702	-0.26%	1.12%
JCI	6,023	0.17%	4.11%

## New issues

- China State Construction Finance (Cayman) I Ltd has priced a USD500mn PerpNC3 (guaranteed by China State International Holdings Ltd) at 6.225%, tightening from its initial price guidance of 6.5%.
- Hongkong Baorong Development Ltd has priced a USD230mn 3-year bond (guaranteed by Tianjin Free Trade Zone Investment Holdings Co Ltd) at 6.75%, in line with its final price guidance.
- National Australia Bank Ltd/New York has priced a USD2.5bn deal across 3 tranches, with the USD750mn 3-year bond priced at CT3+88bps, tightening from its initial price guidance of CT3+95bps area; the USD600mn 3-year FRN at 3mL+71bps, in line with its initial price guidance and a USD1.15bn 5-year covered bond at MS+45bps, tightening from its initial price guidance of MS+47bps area.
- Korea Development Bank of Singapore has priced a USD100mn 2-year FRN at 3mL+39.5bps.
- Korea Development Bank has priced a USD250mn 2-year FRN at 3mL+28bps.
- Powerchina Real Estate Group Ltd has scheduled for investor meetings from 27-28 Nov for its potential USD bond issuance (guaranteed by Power Construction Corporation of China).
- Zhuji Development Ltd has scheduled for investor meetings from 27 Nov for its potential USD bond issuance (guaranteed by Zhuji State-owned Assets Management Co Ltd).
- Jisco SR Pearl Ltd has scheduled for investor meetings from 27 Nov for its potential USD bond issuance (guaranteed by Jiuquan Iron & Steel (Group) Co Ltd).
- Xinjiang Financial Investment Co Ltd has scheduled for investor meetings from 27 Nov for its potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
26-Nov-18	Korea Development Bank	USD250mn	2-year	3mL+28bps
26-Nov-18	Korea Development Bank of Singapore	USD100mn	2-year	3mL+39.5bps
26-Nov-18	National Australia Bank Ltd/New York	USD1.15bn	5-year	MS+45bps
26-Nov-18	National Australia Bank Ltd/New York	USD600mn	3-year	3mL+71bps
26-Nov-18	National Australia Bank Ltd/New York	USD750mn	3-year	CT3+88bps
26-Nov-18	Hongkong Baorong Development Ltd	USD230mn	3-year	6.75%
26-Nov-18	China State Construction Finance (Cayman) I Ltd	USD500mn	PerpNC3	6.225%
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%

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