

Apr 3, 2018

## **Market Commentary**

- The SGD swap curve flattened yesterday, with swap rates trading 1-2bps lower for the shorter tenors while the longer tenors traded 2-4bps lower (with the exception of 12-year traded 9bps lower).
- Flows in SGD corporates were moderate yesterday, with better buying seen in HSBC 4.7%-PERP.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 126bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 362bps.
- 10Y UST yield fell 1bps yesterday to 2.73% on safety buying as stocks slid and US manufacturing PMI data for March showed that US factory activity has slowed down.

## **Credit Headlines**

### **ESR-REIT (“EREIT”) and VIVA Industrial Trust (“VIT”) | Issuer Profile: Neutral (4) and Issuer Profile: Neutral (5) respectively**

- With regards to a proposed merger between the two, EREIT’s REIT Manager (“EREITM”) and VIT’s Managers (“VREITM”) have agreed to extend the period of exclusivity for discussions to the earlier of (a) the date of execution of a definitive implementation agreement between the parties in relation to the Scheme and (b) 30 April 2018 (or other dates both parties may agree in writing).
- In January 2018, the two parties confirmed they were in merger discussions with the original expiry date being the earliest of (a) and (b) 31 March 2018.
- A merger transaction (should it be successful) is credit positive in our view, assuming an eventual deal structure which is [fully funded through issuance of shares](#). (Company, OCBC)

### **Soilbuild Business Space REIT (“SBREIT”) | Issuer Profile: Neutral (4)**

- In September 2017, SBREIT announced that the Master Lessee at NK Ingredients building [had been in arrears](#) and we had assumed in our updated October 2017 base case that the lease is pre-terminated with zero rental income.
- In November 2017, SBREIT announced that its trustee filed a Writ of Summons and Statement of Claim against the Master Lessee with the Singapore High Court for possession of the property. In January 2018, SBREIT further announced that it had come to an agreement with NK Ingredients, with the Singapore High Court granting a temporary moratorium on proceedings that is subject to certain conditions: (a) NK Ingredients making payment of the rent for January 2018 by end-January 2018 (b) NK Ingredients paying SBREIT amounts due between 11 January 2018 to 26 March 2018 and (c) topping up the security deposit in three tranches such that SBREIT hold 50% of the original security deposit by 31 March 2018, 75% by 31 December 2018 and 100% by 30 June 2019.
- On 28 March 2018, SBREIT announced that the amounts billed between 11 January 2018 to 26 March 2018 have been received while the security deposit has been topped up per agreed (ie: SBREIT now holds SGD2.6mn in security deposit, being 50% of the full amount). Condition (a) has also been fulfilled.

## **Credit Headlines (cont'd):**

- We concur with our colleagues at OCBC Investment Research that this reduces the uncertainty overhang from NK Ingredients building. Per SBREIT's disclosures, the Master Lessee is undergoing a restructuring though intends to continue operations (and by implication continuing to lease the property in our view). SBREIT is scheduled to announce its 1Q2018 results on 16 April 2018 and we expect to see a credit upside to our base case EBITDA/Interest coverage of 3.4x (which assumes zero contribution from NK Ingredients and KTL Offshore building (since sold)).
- We are Overweight the SBREIT'21s and neutral the SBREIT'18s. (Company, OCBC)

## **Golden Agri-Resources Ltd ("GGR") | Issuer Profile: Neutral (5)**

- The board of director of GGR has announced that Mr. Frankle (Djafar) Widjaja, a Non-Executive Non-Independent Director shall be retiring as a Director at GGR's upcoming annual meeting on 23 April 2018. Mr. Frankle Widjaja was first appointed to the board in 1999 and is the brother of two other Directors at GGR.
- In light of the non-executive nature of Mr. Frankle Widjaja's position at GGR, we see this as credit neutral. (Company, OCBC)

## **CK Hutchison Holdings Ltd ("CKHH") | Issuer Profile: Positive (2)**

- CKHH's indirect subsidiary Hutchison Whampoa Europe Finance (13) Limited has announced its intention to redeem a EUR1.75bn perpetual (the EUR-denominated CKHH 3.75%-PERP) on 10 May 2018. The perpetual is guaranteed by Hutchison Whampoa Limited ("Whampoa") and CKHH.
- Whampoa merged with Cheung Kong (Holdings) to form CKHH as part of a major reorganisation in 2015. Including accrued distribution, EUR1.8bn (~HKD17.4bn) is expected to be paid to perpetual holders on redemption date. The perpetuals was first issued in May 2013 with a first reset date (with initial step-up margin) in May 2018.
- In end-2017, CKHH's cash balance was HKD160.5bn while net gearing was 0.30x. In the event the perpetuals are redeemed by cash (rather than a replacement perpetual), net gearing may increase to 0.33x. The documentation for this perpetual contain replacement of capital language (though not legally binding) which increases the likelihood for the perpetuals to be replaced by an instrument that is similarly structured or with higher equity treatment.
- We maintain CKHH's issuer profile at Positive (2). (Company, OCBC)

**Table 1: Key Financial Indicators**

	3-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	79	-1	9
iTraxx SovX APAC	14	0	2
iTraxx Japan	50	-1	10
iTraxx Australia	70	-1	10
CDX NA IG	68	3	12
CDX NA HY	106	-1	-1
iTraxx Eur Main	60	-2	6
iTraxx Eur XO	285	-8	12
iTraxx Eur Snr Fin	66	-3	10
iTraxx Sovx WE	18	-1	-2
AUD/USD	0.767	-0.14%	-1.25%
EUR/USD	1.230	-0.82%	-0.28%
USD/SGD	1.312	-0.14%	0.49%
China 5Y CDS	65	-1	9
Malaysia 5Y CDS	75	0	12
Indonesia 5Y CDS	104	-2	16
Thailand 5Y CDS	47	0	6

	3-Apr	1W chg	1M chg
Brent Crude Spot (\$/bbl)	67.77	-3.35%	5.28%
Gold Spot (\$/oz)	1,342.26	-0.21%	1.68%
CRB	193.38	-1.47%	-0.38%
GSCI	445.07	-2.22%	0.79%
VIX	23.62	-5.03%	20.57%
CT10 (bp)	2.737%	-3.82	-12.72
USD Swap Spread 10Y (bp)	4	2	3
USD Swap Spread 30Y (bp)	-16	1	3
TED Spread (bp)	61	4	23
US Libor-OIS Spread (bp)	58	0	18
Euro Libor-OIS Spread (bp)	3	1	0
DJIA	23,644	0.47%	-3.64%
SPX	2,582	-0.25%	-4.06%
MSCI Asiax	716	-1.39%	-0.66%
HSI	30,093	-3.15%	-2.44%
STI	3,431	0.27%	-1.39%
KLCI	1,858	-0.08%	0.12%
JCI	6,241	0.48%	-5.19%

Source: OCBC, Bloomberg

## New issues

- There are no new issues over 2 Apr 2018.

**Table 2: Recent Asian New Issues**

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
29-Mar-18	SMRT Capital Pte Ltd	SGD200mn	5-year	2.59%
29-Mar-18	Greenland Global Investment Ltd	USD60mn	GRNLGR 5.25%'21	100+accrued interest
28-Mar-18	Shougang Group Co Ltd	USD500mn	360-day	3.95%
27-Mar-18	Ease Trade Global Ltd	USD350mn	3-year	5.2%
27-Mar-18	Baoxin Auto Finance I Ltd	USD300mn	364-day	6.625%
26-Mar-18	Car Inc	CNH400mn	3NC2	6.95%
26-Mar-18	Agile Group Holdings Ltd	USD100mn	AGILE 6.875% Perp NC5	100+accrued interest
26-Mar-18	Huaxin Pharmaceutical (HK) Co Ltd	USD56mn	TAIHUA 6.8%'21	100+accrued interest
23-Mar-18	Land Transport Authority of Singapore	SGD300mn	LTAZSP 3.35%'48	100+accrued interest

Source: OCBC, Bloomberg

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