

Oct 4, 2018

Credit Headlines: BreadTalk Group Ltd, StarHub Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates trading 1-2bps lower across most tenors (with the exception of the 30-year swap rates trading 1bps higher).
- Flows in SGD corporates were heavy yesterday, with better buying seen in DBSSP 3.98%-PERPs, SBRJNG 4.11%'25s and HSBC 5.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 462bps.
- Overall, 10Y UST yields rose sharply by 12bps to close at 3.18%, reaching a seven year high on the back of better-than-expected US private payrolls data for September as well as US service sector activity which hit a 21-year high.

Credit Headlines:

BreadTalk Group Ltd (“BGL”) | Issuer Profile: Neutral (5)

- According to Business Times, BGL is looking to invest SGD100mn into product offerings and improving processes. This is in-line with [our expectations that BGL will continue to consume a significant part of its cash balance in new business](#), with SGD40mn-SGD50mn capex p.a. planned for 2018 and 2019.
- SGD206.6mn cash on hand should be able to cover the proposed investment together with ~SGD80mn capital that BGL has committed to subscribe for a [5%-stake in a Perennial-led China JV](#).
- We continue to expect that BREAD's credit metrics will weaken and net debt/EBITDA may reach ~3x as BGL consumes its cash balance for growth. (Business Times, OCBC)

StarHub Ltd (“StarHub”) | Issuer Profile: Neutral (3)

- According to Business Times, StarHub announced that it is letting go of 300 full-time staff (Currently: 2500 full time staff) while other roles will be dropped by ongoing natural attrition and contractor positions will be clamped down, as part of a strategic transformation. The move was driven by intense competition.
- The restructuring cost will amount to SGD25mn and yield SGD210mn in cost savings over 2019-2021. We think such headline numbers appear credit positive by [reducing net cash outflow as cash flow from operations currently does not cover capex and dividends](#). That said, it remains to be seen if operational performance can be sustained despite the headcount cuts amidst the challenging operating environment. (Business Times, OCBC)

Table 1: Key Financial Indicators

	4-Oct	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	80	-1	-5
iTraxx SovX APAC	9	0	-2
iTraxx Japan	56	-1	0
iTraxx Australia	74	-1	0
CDX NA IG	59	0	-1
CDX NA HY	107	0	1
iTraxx Eur Main	68	1	0
iTraxx Eur XO	272	5	-25
iTraxx Eur Snr Fin	85	5	4
iTraxx Sovx WE	25	2	-2
AUD/USD	0.709	-1.58%	-1.17%
EUR/USD	1.148	-1.39%	-0.89%
USD/SGD	1.381	-0.91%	-0.32%
China 5Y CDS	56	0	-5
Malaysia 5Y CDS	94	1	-7
Indonesia 5Y CDS	133	2	-10
Thailand 5Y CDS	41	0	-2

	4-Oct	1W chg	1M chg
Brent Crude Spot (\$/bbl)	86.29	6.09%	10.42%
Gold Spot (\$/oz)	1,198.62	1.33%	0.60%
CRB	201.23	3.74%	4.74%
GSCI	502.55	4.77%	7.36%
VIX	11.61	-9.93%	-11.78%
CT10 (bp)	3.191%	13.89	29.22
USD Swap Spread 10Y (bp)	5	-2	-2
USD Swap Spread 30Y (bp)	-9	-3	-2
TED Spread (bp)	20	2	-3
US Libor-OIS Spread (bp)	17	-1	-4
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	26,828	1.68%	3.38%
SPX	2,926	0.67%	0.99%
MSCI Asiax	642	-2.19%	-2.91%
HSI	27,091	-1.48%	-3.15%
STI	3,267	0.87%	1.77%
KLCI	1,796	-0.13%	-0.91%
JCI	5,868	-0.09%	-0.64%

New issues

- The People's Republic of China (acting through the Ministry of Finance) has scheduled for investor meetings from 9 Oct for its potential USD bond issuance.
- Anhui Provincial Investment Group Holding Co Ltd has scheduled for investor meetings from 5 Oct for its potential USD bond issuance.
- Doosan Power Systems has scheduled for investor meetings from 8 Oct for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
2-Oct-18	Aspial Corp Ltd	SGD20.75mn	3-year	6.25%
2-Oct-18	Unibail-Rodamco-Westfield SE	USD500mn	10-year	4.125%
2-Oct-18	Unibail-Rodamco-Westfield SE	USD500mn	10-year	4.625%
27-Sept-18	The Independent State of Papua New Guinea	USD500mn	10-year	8.375%
26-Sept-18	CIFIC Holdings (Group) Co Ltd	USD300mn	CIFIHG 5.5%'22s	8.625% + accrued interest
26-Sept-18	Surbana Jurong Pte Ltd	SGD350mn	7-year	4.11%
24-Sept-18	CFLD (Cayman) Investment Ltd	USD100mn	CHFOTN 9.0%'21s	8.991% + accrued interest
21-Sept-18	Lum Chang Holdings Limited	SGD40mn	3-year	5.8%
20-Sept-18	Soilbuild Business Space REIT	SGD65mn	Perp NC3	6.0%
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%

Source: OCBC, Bloomberg

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

Seow Zhi Qi

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
zhigiseow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "**Relevant Materials**") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "**Relevant Entity**") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID**") and the EU's Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (together referred to as "**MiFID II**"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).