

Apr 5, 2018

## **Market Commentary**

- The SGD swap curve flattened yesterday, with the swap rates for the shorter tenors trading 1bps lower while the longer tenors trading 1-2bps lower.
- Flows in SGD corporates were moderate yesterday, with better selling seen in HYFSP 6%-PERP.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 125bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 2bps to 354bps.
- 10Y UST yield ended 3bps higher at 2.80%, after initially trading lower than 2.75% intraday on escalating trade war concerns, mirroring the rally seen in US equity markets in the latter part of the day.

## **Credit Headlines**

### **Perennial Real Estate Holdings Ltd (“PREH”) | Issuer Profile: Neutral (5)**

- PREH entered into a 40-60 JV with Qingjian Group of Companies to develop a freehold residential site at No. 32 to 46 Toh Tuck Road Singapore (Goodluck Garden), which was collectively sold to Qingjian Group of Companies for SGD610mn.
- PREH's expected capital commitment for its 40% stake is SGD96.5mn.
- We expect PREH's net gearing to rise to ~0.90x (4Q2017: 0.57x) following (1) acquisition of another 50% stake in Capital Singapore for SGD501.2mn, (2) commitment to a 45%-stake in a USD1.2bn JV that targets developments connected to high speed railway stations in China and (3) SGD96.5mn capital commitment for the development with Qingjian. As such, we resume coverage on PREH with a Neutral (5) Issuer Profile. (Company, OCBC)

### **Nam Cheong Ltd (“NCL”) | Issuer Profile: Negative (7)**

- NCL has announced that it has received Court approval for the extension to its on-going debt moratorium (refer to [OCBC Asian Credit Daily \(2 Apr\)](#)). The moratorium will last till 06/08/18. NCL had indicated that it would endeavour to apply for the Court's sanction of its scheme within the period of the moratorium. NCL had also provided an update on its restructuring, stating that it was in the midst of finalizing its bilateral facility agreements with its bank lenders. NCL had also reiterated that it would not be able to make payment on the interest accrued on its Series 3 and Series 4 bonds (for the period ending 31/12/17) until its scheme of arrangement receives court sanction. (Company)

**Table 1: Key Financial Indicators**

	5-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	78	0	8
iTraxx SovX APAC	13	0	1
iTraxx Japan	51	1	12
iTraxx Australia	71	1	12
CDX NA IG	64	-2	8
CDX NA HY	106	0	0
iTraxx Eur Main	60	0	6
iTraxx Eur XO	290	6	22
iTraxx Eur Snr Fin	66	0	10
iTraxx Sovx WE	18	0	-3
AUD/USD	0.771	0.39%	-0.73%
EUR/USD	1.228	-0.13%	-0.42%
USD/SGD	1.313	-0.11%	0.43%
China 5Y CDS	63	-1	6
Malaysia 5Y CDS	73	0	10
Indonesia 5Y CDS	102	1	15
Thailand 5Y CDS	46	0	6

	5-Apr	1W chg	1M chg
Brent Crude Spot (\$/bbl)	68.22	-1.88%	4.09%
Gold Spot (\$/oz)	1,331.25	0.43%	0.84%
CRB	192.34	-1.65%	-2.20%
GSCI	445.72	-1.62%	-0.41%
VIX	20.06	-10.84%	7.10%
CT10 (bp)	2.806%	6.74	-7.45
USD Swap Spread 10Y (bp)	3	-1	2
USD Swap Spread 30Y (bp)	-16	0	3
TED Spread (bp)	63	3	24
US Libor-OIS Spread (bp)	58	-1	17
Euro Libor-OIS Spread (bp)	3	0	0
DJIA	24,264	1.70%	-2.45%
SPX	2,645	1.23%	-2.80%
MSCI Asiax	705	-1.39%	-0.97%
HSI	29,519	-3.37%	-1.23%
STI	3,390	0.22%	-1.41%
KLCI	1,832	-1.32%	-0.58%
JCI	6,157	-0.84%	-6.01%

Source: OCBC, Bloomberg

## New issues

- Megaworld Corp has priced a USD200mn Perp NC5 bond at 5.375%, tightening from its initial guidance of 6%.
- DBS Group Holdings Ltd has priced a EUR600mn 10NC5 Tier 2 bond at MS+120bps, tightening from its initial guidance of MS+120/125bps.
- Societe Generale SA (SOCGEN) has priced a USD1.25bn AT1 NC10 at 6.75%, tightening from its initial price guidance of 6.875%.
- Bank Of China has also mandated various banks for a multi-currency (USD, EUR, GBP and/or AUD), multi tranche deal.

**Table 2: Recent Asian New Issues**

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
4-Apr-18	Societe Generale SA	USD1.25bn	NC10	6.75%
4-Apr-18	DBS Group Holdings Ltd	EUR600mn	10NC5	MS+120bps
4-Apr-18	Megaworld Corp	USD200mn	Perp NC5	5.375%
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%

Source: OCBC, Bloomberg

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