

July 9, 2018

We have recently published our [Singapore Mid-Year 2018 Credit Outlook](#). Kindly click on the link for the detailed report.

**Credit Headlines:** Hyflux Ltd

## **Market Commentary**

- The SGD swap curve bull-flattened last Friday, with swap rates for the shorter tenors trading 3-4bps lower while the longer tenors traded 4-6bps lower.
- Flows in SGD corporates were moderate last Friday, with better buying seen in HSBC 4.7%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 18bps to 569bps.
- 10Y UST yields fell 4bps to 2.81%, its lowest in 5.5 weeks after the US Average Hourly Earnings data came in weaker than expected. Yields subsequently recovered 1bps towards the end of the trading session to close at 2.82%.

## **Credit Headlines:**

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

- The hearing for the moratorium application of HFY’s subsidiary Tuaspring Pte Ltd (“Tuaspring”, which holds an integrated water and power plant (the “Tuaspring IWPP”) was originally scheduled on 6 July 2018. There is only one secured creditor at Tuaspring, being Malayan Banking Berhad.
- Post negotiations with this creditor, the parties have reached an agreement on the proposed divestment of the Tuaspring IWPP.
- The key terms agreed are:
  - HFY to execute a binding agreement with a successful bidder/investor by 15 October 2018.
  - Obtain approval for the sale with this secured creditor, the Public Utilities Board (“PUB”, offtaker of the water portion) and/or the Singapore High Court (if required) by 11 December 2018.
  - Shareholders’ approval by 4 February 2019.
  - The secured creditor will appoint a valuer to conduct a valuation exercise of the Tuaspring IWPP and be involved in the divestment process.
  - Tuaspring to appoint a monitoring accountant and special accountant to monitor its cash flow and review the divestment process. Reports to be shared with the secured creditor.
  - The secured creditor to refrain from commencing enforcement proceedings against Tuaspring (including asset held - Tuaspring IWPP).
- The moratorium application for Tuaspring has been withdrawn given the forbearance by the secured creditor.
- This negotiated outcome gives HFY some breathing room to seek out and subsequently close a sale on Tuaspring. The timeline is relatively compressed at around 3 months though not unreasonable in our view as Tuaspring has been put up for sale for more than a year. We think this indicates the secured creditor’s intention to let HFY get a deal done within a timeframe that is acceptable to the secured creditor vis-à-vis dragging out the situation.
- Net-net though we think this is still a better outcome for unsecured bondholders, perpetual and preference shareholders at the holding company level versus an upfront liquidation of Tuaspring.
- On 6 July 2018, the Singapore Stock Exchange (“SGX”) has also granted extensions on the publication of HFY’s consolidated financial statements for 2Q2018 and 3Q2018 to not later than 14 August 2018 and not later than 14 November 2018 respectively. (Company, OCBC)

**Table 1: Key Financial Indicators**

	9-Jul	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	96	4	16
iTraxx SovX APAC	15	0	2
iTraxx Japan	56	1	13
iTraxx Australia	85	4	13
CDX NA IG	64	-4	-2
CDX NA HY	106	1	0
iTraxx Eur Main	69	-4	-5
iTraxx Eur XO	305	-15	-9
iTraxx Eur Snr Fin	83	-7	-7
iTraxx Sovx WE	25	-1	-4
AUD/USD	0.745	1.46%	-2.13%
EUR/USD	1.175	0.98%	-0.26%
USD/SGD	1.357	0.88%	-1.65%
China 5Y CDS	72	4	15
Malaysia 5Y CDS	106	-1	8
Indonesia 5Y CDS	134	-2	5
Thailand 5Y CDS	48	-1	2

	9-Jul	1W chg	1M chg
Brent Crude Spot (\$/bbl)	77.26	-0.05%	1.05%
Gold Spot (\$/oz)	1,256.50	1.16%	-3.38%
CRB	198.05	-0.42%	-0.99%
GSCI	480.73	-0.17%	0.96%
VIX	13.37	-20.65%	9.77%
CT10 (bp)	2.835%	-3.66	-11.16
USD Swap Spread 10Y (bp)	8	1	3
USD Swap Spread 30Y (bp)	-4	2	4
TED Spread (bp)	39	-3	0
US Libor-OIS Spread (bp)	38	-2	-3
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	24,456	0.99%	-3.40%
SPX	2,760	1.60%	-0.69%
MSCI Asiax	661	-0.99%	-8.49%
HSI	28,316	-2.21%	-8.54%
STI	3,197	-1.31%	-6.98%
KLCI	1,664	-1.26%	-6.44%
JCI	5,695	-1.80%	-4.98%

## New issues

- Suntec REIT is looking to issue a SGD 3-year issue (size TBD, between SGD130mn to SGD150mn) at 3.0%.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
9-Jul-18	Suntec REIT MTN Pte Ltd	TBD	3-year	3.0%
5-Jul-18	CCBL Cayman 1 Corp Ltd	USD400mn	5-year	3mL+125bps
3-Jul-18	New Dian Group Pte Ltd	USD100mn	2-year	7.50%
27-Jun-18	CapitaLand Retail China Trust	SGD130mn	4-year	3.25%
27-Jun-18	Korea National Oil Corp	USD400mn	5-year	3mL+87.5bps
26-Jun-18	Huarong Finance 2017 Co Ltd (re-tap)	USD150mn	HRAM 4.75%'27	95.941+accrued interest
26-Jun-18	Huarong Finance 2017 Co Ltd	USD550mn	5-year	3mL+132.5bps
26-Jun-18	Huarong Finance 2017 Co Ltd	USD400mn	3-year	3mL+117.5bps
25-Jun-18	Far East Horizon Ltd	USD400mn	3-year	3mL+200bps
21-Jun-18	Agile Group Holdings Ltd	USD100mn	Perp NC3	8.55%
21-Jun-18	Horse Gallop Finance Ltd	USD700mn	3-year	3mL+118bps
21-Jun-18	Zhenro Properties Group Ltd	USD250mn	2-year	11.5%
20-Jun-18	Guangsha Holding Group Co Ltd	USD300mn	364-day	7.0%
20-Jun-18	GS Caltex Corp	USD300mn	5-year	CT5+120bps
19-Jun-18	Korea Development Bank	CNH1.75bn	3-year	4.6%
19-Jun-18	Greenland Hong Kong Holdings Ltd	USD200mn	364-day	7.875%
15-Jun-18	Greenland Global Investment Ltd	USD250mn	3.25-year	3mL+485bps

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