

Jan 3, 2019

Credit Headlines: Industry Outlook – Singapore Property, Hyflux Ltd, Keppel Corporation Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 1-2bps higher while the longer tenors traded 1-2bps lower (with the exception of the 7-year and 20-year swap rates trading little change).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 168bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 629bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in UBS 5.875%-PERPs, DBSSP 3.98%-PERPs, SLHSP 4.5%'25s, UOBSP 3.5%'29s and UOBSP 4%-PERPs.
- 10Y UST yields fell 6bps to close at 2.62%, hitting an 11-month low, on the back of renewed fears over slowing global growth which had also dragged performance in Asian and European stock markets earlier. The continued partial shutdown of the US government also weighed negatively on market sentiments.

Credit Headlines:

Industry Outlook – Singapore Property

- Private residential property prices declined by 0.1% q/q in 4Q2018, breaking 5 consecutive quarters of increase since 3Q2017, according to the URA flash estimates.
- As we flagged in [May 2018](#) and [Jul 2018](#), we reiterate caution on Singapore residential property due to oversupply. We think prices may decline by low single digits y/y in 2019 and price growth may remain depressed in the medium term. We will be writing in greater details in the Singapore 2019 Credit Outlook. (OCBC, URA)

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

- Maybank, Tuaspring’s sole secured lender has agreed to [further extend the deadline](#) to 31 January 2019 for a binding agreement to be executed with a bidder/investor. This is the fourth extension since 29 October 2018 which was extended to 29 November 2018 and 28 December 2018.
- In other updates, SGX has granted additional waivers for HYF to provide its 2QFY2018, 3QFY2018 and FY2018 financials to 30 June 2019. The reason given by HYF for the extension request is that release of financials during the reorganisation process “may potentially result in inaccurate and incomplete reflection of financial information”. This means however that investors may potentially only have access to old financial information when assessing any restructuring or reorganization proposal. The latest publicly available financial statements for the group on a consolidated level was for 1QFY2018.
- Hyflux is holding its second town hall meeting on 18th January. (Company)

Credit Headlines (cont'd):

Keppel Corporation Ltd ("KEP") | Issuer Profile: Neutral (4)

- Keppel Land (which is in turn wholly-owned by KEP) via its indirect subsidiary Tosalco Pte Ltd has entered into an agreement to buy a 100% stake in Beijing Chang Sheng Business Consulting Co. Ltd for RMB555mn (~SGD111mn). This entity owns a completed commercial property (office and retail) in Haidian District, Beijing. The transaction is expected to be completed in 1Q2019. Per KEP, this acquisition is in line with its strategy to expand its China commercial portfolio in Tier 1 cities.
- Additionally on 28 December 2018, KEP and Singapore Press Holdings ("SPH") had announced their firm intention to make a voluntary general offer of the remaining shares they do not already own in M1 Ltd. Among the pre-conditions that needed to be satisfied, the approval from the Info-communications Media Development Authority ("IMDA") was required and the pre-condition has been satisfied. (OCBC, Company)

Table 1: Key Financial Indicators

	3-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	98	0	10
iTraxx SovX APAC	72	1	5
iTraxx Japan	87	2	20
iTraxx Australia	97	1	12
CDX NA IG	87	-2	13
CDX NA HY	102	0	-3
iTraxx Eur Main	89	-2	10
iTraxx Eur XO	362	-8	42
iTraxx Eur Snr Fin	112	-3	11
iTraxx Sovx WE	25	0	0
AUD/USD	0.694	-1.37%	-5.72%
EUR/USD	1.136	-0.59%	0.08%
USD/SGD	1.366	0.35%	0.10%
China 5Y CDS	69	1	5
Malaysia 5Y CDS	112	2	6
Indonesia 5Y CDS	142	3	6
Thailand 5Y CDS	46	0	3

	3-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	54.29	-0.33%	-12.00%
Gold Spot (\$/oz)	1,288.34	0.99%	4.69%
CRB	170.39	1.21%	-7.15%
GSCI	377.91	-0.61%	-8.89%
VIX	23.22	-35.63%	41.24%
CT10 (bp)	2.620%	-18.75	-36.75
USD Swap Spread 10Y (bp)	3	1	-3
USD Swap Spread 30Y (bp)	-17	0	-3
TED Spread (bp)	45	1	6
US Libor-OIS Spread (bp)	40	1	3
Euro Libor-OIS Spread (bp)	5	0	1
DJIA	23,346	7.13%	-9.60%
SPX	2,510	6.76%	-10.05%
MSCI Asiax	586	-0.49%	-6.87%
HSI	25,058	-2.31%	-7.82%
STI	3,015	0.14%	-5.49%
KLCI	1,677	0.27%	-1.33%
JCI	6,201	0.60%	1.35%

New issues

- Korea Midland Power Co Ltd has scheduled for investor meetings from 7 Jan for its potential USD green bond issuance.
- Hanwha Total Petrochemical Co Ltd has scheduled for investor meetings from 7 Jan for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
28-Dec-18	Macrolink Global Development Ltd	USD168mn	2-year	9.5%
25-Dec-18	Redco Properties Group	USD110.4mn	REDPRO 11.0%'20s	11.0%
17-Dec-18	Wuhan Financial Holdings (Group) Co Ltd	USD142mn	3-year	5.8%
17-Dec-18	CIFI Holdings (Group) Co Ltd	USD400mn	2-year and 2-month	7.625%
17-Dec-18	Redsun Properties Group Ltd	USD200mn	REDSUN 13.5%'20s	13.5%
14-Dec-18	Yuyao Economic Development Zone Construction Investment and Development Co Ltd	USD100mn	3-year	7.0%
14-Dec-18	Hangzhou Fuyang Chengtou Group (HK)	USD70mn	HZFYCT 6.8%'21s	6.8%
13-Dec-18	Fantasia Holdings Group Co Ltd	USD130mn	3NP2	15.0%
13-Dec-18	Chengdu Communications Investment Group Corporation	USD400mn	3-year	5.5%
13-Dec-18	Xinhu (BVI) 2018 Holding Company Ltd	USD240mn	3NCNP2	11.0%
13-Dec-18	Yichang High-Tech Investment Development Co Ltd	USD50mn	3-year	7.5%
13-Dec-18	Zhengzhou Metro Group Co Ltd	USD500mn	3-year	5.3%
12-Dec-18	Greenland Hong Kong Holdings Ltd	USD200mn	1.5-year	9.875%
12-Dec-18	Baoji Investment (Group) Co Ltd	USD80mn	3-year	7.0%

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

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