

Feb 4, 2019

Credit Headlines: Wheelock & Co Ltd, Hong Fok Corp Ltd

Market Commentary

- The SGD swap curve was higher last Friday, with the shorter tenors trading 1bps higher while the longer tenors traded relatively unchanged (with the exception of the 12-year swap rates trading 1bps higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 10bps to 513bps..
- Flows in SGD corporates were heavy yesterday, with flows seen in UBS 5.875%-PERPs, BNP 4.35%'29s, ESRCAY 6.75%'22s, SINTEC 5.0%-PERPs, SINTEC 4.05%'25s and FPLSP 4.15%'27s.
- 10Y UST yields rose 4bps to close the trading session at 2.68% on the back of a surging job growth from government data, which came days after the policy statement by the Federal Reserve to pause its interest rate hiking scheme.

Credit Headlines

Wheelock & Co Ltd (“WHEELK”) | Issuer Profile: Positive (2)

- WHEELK will be buying HNA Group's last plot of development land at Hong Kong's former Kai Tak airport site for HKD6.89bn. Given HNA bought the plot in March 2017 for HKD7.44bn, this represents a loss of HKD550mn to HNA. We will continue to hold WHEELK at Positive (2) Issuer Profile for now and review the credit profile of the company upon the release of updated financials for FY2018. (Company, OCBC)

Hong Fok Corp Ltd (“HFC”) | Issuer Profile: Neutral (5)

- HFC's associate company Hong Fok Land International (“HFL”) has proposed to buy back all of the 1.49bn outstanding ordinary shares at a price of HKD0.55 each. Given HFC has undertaken not to accept the Buyback Offer, total consideration payable is estimated to be HKD473.4mn. However, this also means that depending on the level of acceptances received, HFC's interest in HFL could increase from the current 42.33% to more than 50.00%, in which case HFC will become a holding company of HFL. HFC will seek a whitewash waiver to avoid having to make a mandatory general offer for the HFL shares not already held.
- The Buyback Offer is conditional upon (1) the approval of at least 75% of HFL's independent shareholders (ie: non-Cheong family shareholders, HFC Subsidiaries) for the Buyback Offer and whitewash waiver (2) no more than 10% of number of votes cast against the approving of the Buyback Offer at the special general meeting
- HFL will finance the consideration payable for the Buyback Offer through a loan facility. HFL also has ~20.40% stake in HFC. In our view, assuming that HFC consolidates HFL post-buyback, HFC's debt level may rise post-Buyback Offer. Currently, HFL is not a debt free entity (end-2017 total liabilities: SGD100.8mn), additionally HFL would take on more debt to finance the Buyback Offer. (Company, OCBC)

Table 1: Key Financial Indicators

	4-Feb	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	78	-6	-17
iTraxx SovX APAC	59	-3	-11
iTraxx Japan	61	-6	-27
iTraxx Australia	76	-7	-22
CDX NA IG	67	-6	-16
CDX NA HY	106	1	3
iTraxx Eur Main	71	-6	-17
iTraxx Eur XO	309	-18	-48
iTraxx Eur Snr Fin	86	-5	-26
iTraxx Sovx WE	24	0	-2
AUD/USD	0.724	0.96%	1.72%
EUR/USD	1.145	0.20%	0.49%
USD/SGD	1.353	0.01%	0.50%
China 5Y CDS	54	-5	-12
Malaysia 5Y CDS	81	-6	-27
Indonesia 5Y CDS	112	-7	-24
Thailand 5Y CDS	41	-1	-3

	4-Feb	1W chg	1M chg
Brent Crude Spot (\$/bbl)	62.86	4.89%	10.16%
Gold Spot (\$/oz)	1,313.72	0.79%	2.15%
CRB	180.55	-0.07%	4.15%
GSCI	413.30	3.00%	6.85%
VIX	16.14	-7.35%	-24.51%
CT10 (bp)	2.686%	-5.80	1.83
USD Swap Spread 10Y (bp)	3	0	0
USD Swap Spread 30Y (bp)	-19	-1	-3
US Libor-OIS Spread (bp)	33	-1	-7
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	25,064	1.32%	6.96%
SPX	2,707	1.57%	6.90%
MSCI Asiax	641	1.60%	8.95%
HSI	27,972	1.43%	9.15%
STI	3,184	-0.49%	4.08%
KLCI	1,692	-0.55%	0.07%
JCI	6,518	0.92%	3.88%

New issues

- There were no new issuances over 1 Feb 2019.

Date	Issuer	Size	Tenor	Pricing
31-Jan-19	Towngas (Finance) Ltd (The Hong Kong and China Gas Company Ltd)	USD300mn	NC5-perpetual	4.75%
31-Jan-19	Mongolian Mortgage Corp (MIK Holding JSC)	USD50mn	MGMTGE 9.75%'22s	9.75%
31-Jan-19	Chengdu Economic & Technological Development Zone State-Owned Assets Investment & Operating Co Ltd	USD250mn	3-year	7.5%
31-Jan-19	AC Energy Finance International Ltd	USD110mn USD75mn	10-year ACNRGY 4.75%'24s	5.3% 4.88%
30-Jan-19	CMT MTN Pte Ltd	SGD100mn	7-year	3.15%
29-Jan-19	LLPL Capital Pte Ltd (PT Lestari Banten Energi)	USD775mn	20-year	6.875%
29-Jan-19	Siam Commercial Bank PCL, Cayman Islands Branch	USD500mn USD500mn	5-year 10-year	CT5+137.5bps CT10+167.5bps
29-Jan-19	Studio City Finance Ltd	USD600mn	5NC2	7.25%
29-Jan-19	Granda Century Ltd	USD235mn	SNAGRP 7.5%'21s	8.375%
29-Jan-19	Oil India Ltd	USD550mn	10-year	CT10+250bps
29-Jan-19	Champion Sincerity Holdings Ltd (Greentown China Holdings Ltd)	USD100mn	NC3-perpetual	7.75%
29-Jan-19	Suntec REIT MTN Pte Ltd	SGD100mn	6-year	3.355%
28-Jan-19	Baoxin Auto Finance I Ltd (China Grand Automotive Services Co Ltd)	USD300mn	363-day	8.75%
28-Jan-19	CMOC Capital Ltd (China Molybdenum Co Ltd)	USD300mn	3-year	5.48%

Source: OCBC, Bloomberg

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