

Jan 9, 2019

Credit Headlines: Aspial Corp Ltd, Mapletree Industrial Trust, Olam International Limited

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors trading 5-8bps higher while the longer tenors traded 8-9bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 163bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 22bps to 612bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in UBS 5.875%-PERPs, OCBCSP 3.8%-PERPs, PREHSP 5.95%'20s and HSBC 5%-PERPs.
- 10Y UST yields rose 4bps to close at 2.73%, rising for the third consecutive day as trade talks between the United States and China continued for an unscheduled third day boosting optimism in markets for risky assets. The US Treasury Department also sold USD38bn 3-year notes to a relatively soft demand yesterday, with plans to sell a further USD24bn 10-year notes today. The ongoing partial US government shutdown, however, still weighed in negatively on market sentiments.

Credit Headlines:

Aspial Corp Ltd (“Aspial”) | Issuer Profile: Negative (6)

- Aspial is looking to repurchase up to SGD15mn of ASPSP 5.05% '19s at par plus accrued interest, which has SGD83mn outstanding. This follows the [tender and exchange offer which concluded earlier](#), which reduced the outstanding amounts by SGD40.5mn. The repurchase announcement is in-line with Aspial's guidance that it will be repurchasing its '19s and '20s prior to maturity. (Company, OCBC)

Mapletree Industrial Trust (“MINT”) | Issuer Profile: Neutral (3)

- 7 Tai Seng Drive, acquired from Mapletree Logistics Trust (“MLT”) on 27 June 2018 and leased to Equinix (global interconnection and data centre company), will be upgraded to a data centre with GFA ~256,000 sq ft. Upgrading cost is expected to be ~SGD27mn. It is worth noting that Equinix has presence at other MINT's properties such as 26A Ayer Rajah Crescent, Singapore and 180 Peachtree, Atlanta, the United States of America. 7 Tai Seng will be MINT's third property for data centre use within the Tai Seng Industrial Estate, a strategic location for data centre operations due to its connectivity and power availability. (Company, OCBC)

Credit Headlines (cont'd):

Olam International Limited (“OLAM”) | Issuer Profile: Neutral (5)

- Reportedly OLAM is exiting the sugar-trading business amidst a challenging industry environment for sugar. OLAM owns two sugar mills in India and has a 50% stake in a joint venture with Mitr Phol Group in Indonesia for a sugar refinery where it refines sugar mainly sourced from Thailand and Australia. In December 2017, OLAM sold a 50%-stake of that business to Mitr Phol Group for USD100mn.
- In 9M2018, cash outflow from investing was only SGD143.5mn against SGD667.0mn in 9M2017 (and much lower than 9M2016's SGD901.4mn). In our view, this reflects curtailing of expansion capex. Noticeably, there has been an apparent shift in strategy where instead of large scale acquisitions, OLAM has been selling assets in piecemeal which in our view had aided in conserving cash at OLAM. In 1Q2018, OLAM had sold its 50%-stake in Nauvu Investments to Wilmar for USD148mn (~SGD201mn). Nauvu Investments is a holding company for palm oil, rubber and sugar assets in Africa. In 3Q2018, OLAM had also received SGD166mn from repayment of loan from associates and jointly controlled entities though no disclosure was given on which entity this relates to.
- We do not preclude the possibility of OLAM selling more assets especially as it continues to decide on what to do with underperforming assets. In our view, a shrinking of its balance sheet and paring down debt from asset sales would be a credit positive. As at 30 September 2018, gross debt at OLAM was SGD11.8bn (end-December 2017: SGD11.6bn), down from SGD13.7bn in end-2016. While the decline in debt is in part driven by lower working capital from lower commodity prices, OLAM repaid SGD1.4bn of debt for the full year 2017, after factoring in new debt assumed. In 9M2018, the company's net borrowings was SGD294.3mn. Collectively in the 21 months to end-September 2018, the company has paid down SGD1.1bn in debt. We maintain our Neutral (5) issuer profile on OLAM which does not factor in shareholder uplift. (Bloomberg, OCBC)

Table 1: Key Financial Indicators

	9-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	91	-6	-6
iTraxx SovX APAC	68	-4	-3
iTraxx Japan	80	-7	-4
iTraxx Australia	90	-7	-3
CDX NA IG	78	-9	-4
CDX NA HY	104	2	1
iTraxx Eur Main	86	-4	-2
iTraxx Eur XO	345	-17	-12
iTraxx Eur Snr Fin	109	-3	-2
iTraxx Sovx WE	27	1	0
AUD/USD	0.716	2.52%	-0.40%
EUR/USD	1.146	1.05%	0.94%
USD/SGD	1.357	0.74%	1.27%
China 5Y CDS	63	-6	-8
Malaysia 5Y CDS	103	-9	-9
Indonesia 5Y CDS	132	-11	-13
Thailand 5Y CDS	46	0	1

	9-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	59.18	7.78%	-4.04%
Gold Spot (\$/oz)	1,286.72	0.17%	3.40%
CRB	175.96	3.63%	-4.45%
GSCI	394.47	5.38%	-5.22%
VIX	20.47	-19.47%	-11.88%
CT10 (bp)	2.733%	11.29	-11.17
USD Swap Spread 10Y (bp)	3	0	0
USD Swap Spread 30Y (bp)	-16	1	0
TED Spread (bp)	39	-6	1
US Libor-OIS Spread (bp)	38	-1	-2
Euro Libor-OIS Spread (bp)	5	0	1
DJIA	23,787	1.97%	-2.47%
SPX	2,574	2.70%	-2.23%
MSCI Asiax	596	1.73%	-1.54%
HSI	26,256	4.48%	0.74%
STI	3,145	3.48%	1.08%
KLCI	1,680	0.68%	-0.06%
JCI	6,263	1.10%	2.23%

New issues

- China SCE Group Holdings Ltd has priced a USD500mn 2-year bond at 8.75%, tightening from the guidance of 9.125%.
- Zhenro Properties Group Ltd has priced a USD200mn 363-day bond at 10.75%, tighter than IPT of 11.125%.
- Coastal Emerald Ltd has priced a USD550mn 363-day bond (guarantor: China Shandong Hi-Speed Financial Group Ltd) at 5.95%, below the IPT of 6% area.
- Dah Sing Bank Ltd priced a USD225mn 10NC5 Tier 2 bond at T+255bps, tightening from the IPT of T+280bps area.
- BoCom Leasing Management Hong Kong Company Ltd has scheduled for investor meetings from 11 Jan for its potential USD bond issuance.
- Rizal Commercial Banking Corporation has mandated banks for its potential shorter-dated USD senior unsecured bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
8-Jan-19	Dah Sing Bank Ltd	USD225mn	10NC5 Tier 2	T+255bps
8-Jan-19	Coastal Emerald Ltd (China Shandong Hi-Speed Financial Group Ltd)	USD550mn	363-day	5.95%
8-Jan-19	Zhenro Properties Group Ltd	USD200mn	363-day	10.75%
8-Jan-19	China SCE Group Holdings Ltd	USD500mn	2-year	8.75%
7-Jan-19	Westpac Banking Corp	USD2bn	5-year	MS+58bps
7-Jan-19	Republic of Philippines	USD1.5bn	10-year	T+110bps
7-Jan-19	Powerlong Real Estate Holdings Ltd	USD200mn	2-year	9.5%
7-Jan-19	Guotai Junan International Holdings Ltd	USD200mn	3-year	T+185bps
7-Jan-19	New Metro Global Ltd (Seazen Holdings Co Ltd)	USD300mn	363-day	6.93%
3-Jan-19	China Aoyuan Property Group Ltd	USD275mn	CAPG 7.95%'21s	7.939%
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%

Source: OCBC, Bloomberg

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