

Aug 16, 2017

Credit Headlines (Page 2 onwards): Oxley Holdings Ltd, Fraser and Neave Ltd, Wing Tai Properties Ltd, Singapore Airlines Ltd

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 3-5bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in SIASP 3.13%'27s, HSBC 4.7%-PERPs, GEMAU 5.5%'19s, better selling seen in DBSSP 5.75%-PERPs, and mixed interest seen in OLAMSP 5.5%-PERPs, UOBSP 3.5%-PERPs. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 188bps. Similarly, the yield on JACI HY Corp fell 1 bps to 7.01%. 10y UST yields rose 5bps to 2.28%, after the results of the Empire State Manufacturing survey and retail sales data came in higher-than-expected.

New Issues: Wing Tai Properties (Finance) Ltd has priced a SGD160mn Perp NC3 (guaranteed by Wing Tai Properties Ltd) at 4.35% (reset at the end of year 10 and every 10 years thereafter), tightening from initial guidance of 4.7%. CIFI Holdings (Group) Co Ltd has priced a USD300mn Perp NC5 at 5.375%, tightening from initial guidance of 6% area. The expected issue ratings are 'NR/B1/NR'. FNN Treasury Pte Ltd has priced a SGD200mn 5-year bond at 2.80%.

Rating Changes: Moody's has assigned Stockland Group (Stockland) an issuer rating of 'A3'. The outlook is stable. The rating action reflects Stockland's standing as one of Australia's largest real estate investment trusts, its stable and predictable level of operating income from its diversified portfolio, and its moderate financial profile. Moody's has assigned CSL Limited an issuer rating of 'A3'. The outlook is stable. The rating action reflects CSL's position as a market leader in the industry, as well as Moody's expectation that CSL will report strong EBITDA growth over the next five years.

Table 1: Key Financial Indicators

	16-Aug	1W chg (bps)	1M chg (bps)		16-Aug	1W chg	1M chg
iTraxx Asiax IG	82	-1	-2	Brent Crude Spot (\$/bbl)	51.02	-3.19%	4.31%
iTraxx SovX APAC	22	2	1	Gold Spot (\$/oz)	1,273.15	-0.32%	3.16%
iTraxx Japan	43	2	3	CRB	176.31	-2.64%	0.01%
iTraxx Australia	77	0	-4	GSCI	376.65	-2.65%	0.85%
CDX NA IG	60	0	2	VIX	12.04	9.85%	26.60%
CDX NA HY	107	0	-1	CT10 (bp)	2.266%	1.82	-6.61
iTraxx Eur Main	56	1	3	USD Swap Spread 10Y (bp)	-5	-2	1
iTraxx Eur XO	244	4	6	USD Swap Spread 30Y (bp)	-34	-2	1
iTraxx Eur Snr Fin	54	0	3	TED Spread (bp)	30	4	2
iTraxx Sovx WE	5	0	0	US Libor-OIS Spread (bp)	15	1	1
iTraxx Sovx CEEMEA	45	1	-11	Euro Libor-OIS Spread (bp)	3	0	0
					16-Aug	1W chg	1M chg
				AUD/USD	0.783	-0.70%	0.41%
				USD/CHF	0.973	-0.94%	-1.05%
				EUR/USD	1.174	-0.17%	2.27%
				USD/SGD	1.367	-0.27%	0.14%
Korea 5Y CDS	64	0	7	DJIA	21,999	-0.39%	1.67%
China 5Y CDS	65	0	0	SPX	2,465	-0.42%	0.22%
Malaysia 5Y CDS	79	-1	-4	MSCI Asiax	645	-1.81%	0.52%
Philippines 5Y CDS	69	-2	-3	HSI	27,286	-1.70%	3.40%
Indonesia 5Y CDS	110	-2	-6	STI	3,262	-1.69%	-0.77%
Thailand 5Y CDS	61	0	-1	KLCI	1,772	-0.32%	0.98%
				JCI	5,847	0.39%	0.26%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Aug-17	Wing Tai Properties (Finance) Ltd	Not Rated	SGD160mn	Perp NC3	4.35%
15-Aug-17	CIFI Holdings (Group) Co Ltd	'NR/B1/NR'	USD300mn	Perp NC5	5.375%
14-Aug-17	FNN Treasury Pte Ltd	Not Rated	SGD200mn	5-year	2.80%
14-Aug-17	Singapore Airlines Ltd	Not Rated	SGD700mn	10-year	3.13%
10-Aug-17	Greenland Global Investment Ltd	'NR/Ba2/NR'	USD500mn	3-year	4.9%
10-Aug-17	China Huiyuan Juice Group Limited	'NR/B1/B+'	USD150mn	3-year	6.5%
10-Aug-17	Medco Strait Services Pte Ltd	'B/B2/B'	USD300mn	5NC3	8.75%
9-Aug-17	Country Garden Holdings Co Ltd	'NR/Ba1/BB+'	USD100mn	COGARD 4.75%'22s	99.875

Source: OCBC, Bloomberg

Credit Headlines:

Oxley Holdings Ltd (“OHL”): OHL announced that its hotel development on Stevens Road has obtained TOP on 3 Aug 2017. The gross development value is SGD900mn, which comprises a 254-room “Novotel” hotel and a 518-room “Mercure” hotel. The hotels will commence operations in 2QFY18 (quarter ending 31 Dec). (Company)

Fraser and Neave Ltd (“FNN”): FNN priced a SGD200mn 5-year bond at 2.8% on the back of SGD250mn orderbook. Assuming FNN fully utilises the proceeds, we expect net gearing to increase to 12.5% (3QFY17: 6.2%). The closest comparable, in our view, is the existing FNNSP 3.09% '22s trading at 2.77% (105bps over swaps), which has a 5-month shorter maturity and trades at a wider spread than the new 2.8% '22s (102bps over swaps). As such, we prefer the existing FNNSP 3.09% '22s over the new FNNSP 2.8% '22s. However, with the run up in the FNN curve, we think that the existing FNNSP 3.09% '22s and '27s are fairly valued. We also see the potential for further supply risk as FNN could opportunistically continue to increase its stake in Vinamilk. Hence, we downgrade FNNSP 3.09% '22s and '27s to Neutral from Overweight, and rate the new FNNSP 2.8% '22s at Neutral. (Company, OCBC)

Wing Tai Properties Ltd (“WTP”): WTP priced a SGD160mn perp NC3 at 4.35%. The reset is at end of every 10 year at SOR+initial spread (about 200bps spread over 10Y SOR), with a step-up margin of 100bps from the first reset date. The use of proceeds is for the furtherance of WTP's business activities, including the financing of the Group's business expansion and general working capital. However, we are surprised that WTP issued the perpetual bond given the low net gearing of 14%. We also did not find a delisting put. We cannot rule out the potential for privatisation of WTP given that (1) the equity trades at a huge discount at 0.3x P/B, (2) Wing Tai Holdings (“WTH”) has shown that it is willing to engage in corporate actions given the recent privatisation of Wing Tai Malaysia, (3) WTH has the ability to privatise WTP given that (a) WTH holds SGD748mn of cash as of 3QFY17 and (b) market value of the equity outstanding of WTP that is not owned by WTH and the Cheng family is SGD617mn. As such, we rate the new WINGTA 4.35% PERP at Neutral. Nevertheless, for investors comfortable with the risks of corporate actions at WTP, the new WINGTA 4.35% PERP offers 33bps higher yield than Wing Tai Holdings' WINGTA 4.08 PERP. (Company, OCBC)

Singapore Airlines Ltd (“SIA”): SIA priced a SGD700mn 10-year bond at 3.13% (ie: SIASP '27s) on the back of a more than SGD1.1bn orderbook. The closest comparable is the existing SIASP 3.13% '26s, trading at a tight 2.86%, 64bps over swaps. Whilst this new SIA bond provides decent value against its own curve, it is only fair versus the Singapore Telecommunication (“SingTel”) curve. SingTel is rated at A+/A1/A+ and its USD STSP 2.375% '26s bond trades at an implied SGD-yield of 2.95%. Within the broader airline space, Southwest (rated at BBB+/A3/BBB+) LUV'26s is trading at a SGD-implied yield of 3.08%. We cap fair value of the new SIASP '27s at an ask yield of 3.0% (72bps over swaps). (Company, OCBC)

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