

Aug 22, 2017

Credit Headlines (Page 2 onwards): CWT Ltd, Oxley Holdings Ltd

Market Commentary: The SGD swap curve traded mixed yesterday, with the largest increase seen in the 15-year tenor, which rose by 2bps, and the largest decrease seen in the 7-year and 12-year tenors, which fell by 1bps. Flows in SGD corporates were heavy, with better buying seen in SIASP 3.13%'27s, WINGTA 4.35%-PERPs, better selling seen in GALVSP 7%'18s, PILLSP 7.25%'18s, and mixed interest seen in HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corporates traded little changed at 190bps. Similarly, the yield on JACI HY Corp traded little changed at 6.96%. 10y UST yields fell 1bps to 2.18%, as markets lacked key directional catalysts while awaiting speeches from central bankers at Jackson Hole.

New Issues: Olam International Limited has priced a USD50mn 5-year bond at 3.65%. Hyundai Capital Services Inc has priced a USD600mn 5-year bond at CT5+135bps, tightening from initial guidance of CT5+170bps area. The expected issue ratings are 'A-/Baa1/NR'. China Great Wall International Holdings III Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by China Great Wall AMC (International) Holdings Company Ltd). The expected issue ratings are 'BBB+/Baa1/A'.

Rating Changes: S&P has affirmed AMP Ltd's (AMP) and AMP Group Holdings Ltd's (AGHL) 'A' issuer credit ratings, while affirming the 'AA-' ratings on AMP's core operating entities and the 'A' rating on AMP Bank Ltd. S&P has revised the outlook on the aforementioned entities to stable from negative. The rating action reflects the improvement of AMP's capital and earnings following the recent rebound in profitability. At the same time, S&P withdrew the ratings on The National Mutual Life Association of Australasia Ltd and The National Mutual Life Assoc. of Australasia Ltd (NZ) at the company's request. S&P has downgraded CAR Inc's (CAR) corporate credit rating and the rating on CAR's outstanding senior unsecured notes to 'BB' from 'BB+'. The outlook is stable. The rating action reflects S&P's view that the significant decline in CAR's long-term fleet rental business signals a deterioration in its competitive position.

Table 1: Key Financial Indicators

	22-Aug	1W chg (bps)	1M chg (bps)		22-Aug	1W chg	1M chg
iTraxx Asiax IG	84	2	-1	Brent Crude Spot (\$/bbl)	51.82	2.01%	7.82%
iTraxx SovX APAC	21	-1	1	Gold Spot (\$/oz)	1,288.93	1.37%	2.68%
iTraxx Japan	44	1	5	CRB	176.55	-0.54%	-0.06%
iTraxx Australia	77	1	-1	GSCI	376.50	-0.04%	1.44%
CDX NA IG	62	3	6	VIX	13.19	6.97%	40.92%
CDX NA HY	106	-1	-1	CT10 (bp)	2.190%	-8.24	-4.71
iTraxx Eur Main	58	2	6	USD Swap Spread 10Y (bp)	-6	-2	-3
iTraxx Eur XO	251	6	13	USD Swap Spread 30Y (bp)	-34	-1	-4
iTraxx Eur Snr Fin	56	2	5	TED Spread (bp)	33	3	17
iTraxx Sovx WE	6	0	0	US Libor-OIS Spread (bp)	16	0	0
iTraxx Sovx CEEMEA	47	2	-7	Euro Libor-OIS Spread (bp)	3	0	0
					22-Aug	1W chg	1M chg
				AUD/USD	0.794	1.50%	0.18%
				USD/CHF	0.963	0.94%	-1.80%
				EUR/USD	1.181	0.61%	1.42%
				USD/SGD	1.361	0.46%	0.11%
Korea 5Y CDS	65	0	8	DJIA	21,704	-1.32%	0.57%
China 5Y CDS	66	0	-1	SPX	2,428	-1.52%	-1.79%
Malaysia 5Y CDS	79	-1	-6	MSCI Asiax	649	0.55%	-0.24%
Philippines 5Y CDS	68	0	-5	HSI	27,438	0.97%	2.74%
Indonesia 5Y CDS	111	0	-6	STI	3,271	-0.74%	-1.32%
Thailand 5Y CDS	59	-3	-7	KLCI	1,774	0.12%	0.87%
				JCI	5,870	1.18%	1.81%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
21-Aug-17	Olam International Limited	Not Rated	USD50mn	5-year	3.65%
21-Aug-17	Hyundai Capital Services Inc	'A-/Baa1/NR'	USD600mn	5-year	CT5+135bps
17-Aug-17	Zhongtai International Bond 2017 (BVI) Company Ltd	Not Rated	USD300mn	3-year	4.25%
16-Aug-17	Mapletree Commercial Trust Treasury Company Pte Ltd	Not Rated	SGD100mn	10-year	3.045%
16-Aug-17	Phoenix Lead Ltd	'BBB/NR/NR'	USD500mn	Perp NC5	4.85%
16-Aug-17	Medco Strait Services Pte Ltd (re-tap)	'B/B2/B'	USD100mn	MEDCIJ 8.5%'22s	99.005
16-Aug-17	Singtel Optus Pty Ltd	Not Rated	AUD400mn	5-year	3.2825%
15-Aug-17	Wing Tai Properties (Finance) Ltd	Not Rated	SGD160mn	Perp NC3	4.35%

Source: OCBC, Bloomberg

Credit Headlines:

CWT Ltd (“CWT”): CWT has announced that it has appointed Ernst & Young Corporate Finance Pte Ltd (“EY”) as the independent financial adviser (“IFA”) to advise the independent directors of the company on the proposed acquisition of CWT by HNA Belt and Road Investments (Singapore) Pte Ltd, a wholly-owned subsidiary of HNA Holding Group Co. Limited (“HNA HK”). This comes on the back of HNA HK announcing on 18/08/2017 that it will be holding a general meeting for their shareholders to vote on the proposed acquisition of CWT on 7 September 2017. We see increased certainty that CWT would be sold to HNA HK. Thus far there has been no news with regards to the potential funding for HNA though on 18/08/2017 also, China’s State Council have stated that investments that further Belt and Road (“OBOR”) framework, enhance China’s technical standards, research and development, oil and mining exploration, agriculture and fishing are encouraged. The CWT transaction has been seen by HNA HK as strategically benefitting from China’s OBOR plans. As the proposed CWT transaction falls within an encouraged industry sector, it is increasing likely that HNA HK would be able to source funding to complete the acquisition. There is no delisting put and CWT would be subsumed as a subsidiary of HNA HK post-acquisition. The CWT bonds would form part of the HNA Group, much like the Avolon bonds whose price fluctuation we have used as a case study. On 24/07/2017, news broke that HNA’s relationship with certain banks were strained (refer to [OCBC Asian Credit Daily \(25 Jul\)](#)). The 2022 bonds of Avolon (the USD-denominated AVOL 5.25%’22) saw an initial 50bps spike before tapering to current levels. Currently it is trading at 20bps wider from pre-24/07/2017 levels. Avolon is a HNA Group company acquired in 2015 which operates more as a “standalone subsidiary”. We see downside risk on pricing of both CWTSP’19s and the CWTSP’20s given the still-uncertain standing of HNA Group as a customer with certain lenders. As such we are maintaining our underweight on the CWT curve though maintaining CWT’s issuer profile at Neutral on the back of its standalone credit profile. (Reuters, Company, OCBC)

Oxley Holdings Ltd (“OHL”): OHL reported 4QFY2017 results for the quarter ending 30 June. Revenue rose 36% y/y to SGD224.3mn mainly due to certain plots at The Royal Wharf Phase 1A which were handed over. However, net profit declined 48% y/y to SGD43.6mn mainly due to 50% y/y decline in other gains to SGD39.3mn as the fair value gain on investment property was lower by SGD60.2mn y/y, which is partially offset by foreign exchange gains of SGD17.95mn y/y. Net gearing improved slightly q/q to 1.88x (3QFY17:1.89x). Nevertheless, we expect net gearing to remain high (around 1.6x) despite SGD1.12bn in unbilled contract value from projects which will TOP in the next 12 months, as OHL has made several big ticket acquisitions that has yet to be settled. Since the start of 4QFY2017 (beginning April 2017), OHL has made a major re-entry into the Singapore market with SGD3.3bn gross development value of projects that have yet to be launched. Recent acquisitions include the project at Rio Casa (SGD783mn purchase price plus top-up cost for land lease) in which OHL holds a 35% stake, the acquisition of Serangoon Ville (SGD694mn purchase price plus top-up cost for land lease) in which OHL holds a 40% stake, acquisition of a site at Pasir Panjang for SGD120mn and SGD197.2mn to acquire an estimated 11.5%-stake in United Engineers. Going forward, we expect OHL’s results to be supported by progress billings of SGD2.45bn, of which the bulk is accounted for by Royal Wharf (SGD1.7bn). In the longer-term, OHL expects to build up its recurring income, with SGD12.4mn from investment properties and SGD60.3mn from hospitality in FY2018. Nevertheless, the credit profile remains aggressive as net gearing is expected to remain high, and we continue to hold OHL at a Negative Issuer Profile. (Company, OCBC)

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