

Oct 15, 2018

Credit Headlines: Hyflux Ltd

Market Commentary

- The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-3bps lower.
- Flows in SGD corporates were heavy last Friday, with better buying seen in DBSSP 3.98%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 490bps.
- 10Y UST yields fell 2bps to 3.13% in the earlier part of the trading session on the back of a steep equities sell-off. Yields subsequently recovered 3bps to close at 3.16% after US import prices came in higher than expected.

Credit Headlines:

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

- On Friday, HYF shared that the sale process of Tuaspring requires HFY to submit names of potential investors to the offtaker for pre-qualification. HFY has announced that prior to the formal commencement of the Tuaspring divestment process following the formal commencement of sale process, two parties were pre-qualified, of which one has put in a bid for Tuaspring. The bid is being assessed by HFY and subject to approvals from the relevant authorities. The company added that it is still in the midst of negotiations with potential strategic investors for the overall HFY business (with/without Tuaspring). Identities of the sole bidder and other potential strategic investors have not been disclosed.
- As a recap, the entity holding [Tuaspring is not subject to a moratorium](#) and an agreement had been reached between the sole secured lender, Maybank and the company where the company has until today (ie: 15 October 2018) to enter into a binding agreement with a successful bidder/investor for Tuaspring. As yet, there is no news with regards to a deadline extension. In the scenario where the bid price for Tuaspring is insufficient to be upstreamed to the holding company (ie: the issuer of SGD bonds, preference shares and perpetuals), we see a conversion into equity (at least in part) as base case. In such a scenario, a successful introduction of new strategic investor(s), identity and sums involved could determine recovery levels for debt, perpetual and preference shareholders. (Company, OCBC)

Table 1: Key Financial Indicators

	15-Oct	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	86	1	8
iTraxx SovX APAC	10	0	-2
iTraxx Japan	57	0	7
iTraxx Australia	78	1	7
CDX NA IG	64	2	7
CDX NA HY	106	0	-1
iTraxx Eur Main	74	3	14
iTraxx Eur XO	293	6	11
iTraxx Eur Snr Fin	93	3	25
iTraxx Sovx WE	27	0	3
AUD/USD	0.711	0.44%	-1.02%
EUR/USD	1.156	0.55%	-1.10%
USD/SGD	1.379	0.37%	-0.47%
China 5Y CDS	64	0	9
Malaysia 5Y CDS	103	-1	5
Indonesia 5Y CDS	144	-4	8
Thailand 5Y CDS	43	0	2

	15-Oct	1W chg	1M chg
Brent Crude Spot (\$/bbl)	81.77	-2.55%	4.71%
Gold Spot (\$/oz)	1,220.69	2.74%	1.60%
CRB	197.94	-0.43%	3.92%
GSCI	480.66	-2.76%	3.51%
VIX	21.31	49.86%	76.55%
CT10 (bp)	3.154%	-7.90	15.79
USD Swap Spread 10Y (bp)	4	0	-2
USD Swap Spread 30Y (bp)	-10	1	-4
TED Spread (bp)	17	-3	-3
US Libor-OIS Spread (bp)	19	2	0
Euro Libor-OIS Spread (bp)	4	0	1
DJIA	25,340	-4.19%	-3.11%
SPX	2,767	-4.10%	-4.75%
MSCI Asiax	602	-1.80%	-7.11%
HSI	25,801	-2.90%	-5.44%
STI	3,069	-4.38%	-2.92%
KLCI	1,731	-2.61%	-4.05%
JCI	5,756	0.43%	-2.95%

New issues

- Capital Environment Holdings Ltd has priced a USD50mn re-tap of its BEICAP 5.625'21s (keepwell provider: Beijing Capital Group Co Ltd) at 5.735%.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
13-Oct-18	Capital Environment Holdings Ltd	USD50mn	BEICAP 5.625'21s	5.735% + accrued interest
12-Oct-18	Cheergain Group Ltd	USD226mn	3-year	15.0%
12-Oct-18	People's Republic of China	USD1.5bn	5-year	CT5+30bps
12-Oct-18	People's Republic of China	USD1.0bn	10-year	CT10+45bps
12-Oct-18	People's Republic of China	USD500mn	30-year	CT30+70bps
11-Oct-18	Zijin International Capital Co	USD350mn	3-year	CT3+230bps
11-Oct-18	Yieldking Investment Ltd	USD500mn	3-year	4.80%
11-Oct-18	Anhui Provincial Investment Group Holding Co Ltd	USD400mn	3-year	CT3+200bps
11-Oct-18	Beijing Environment (BVI) Co	USD225mn	3-year	5.30%
10-Oct-18	Cagamas Global PLC	SGD160mn	2-year	2.79%
9-Oct-18	Maoye International Holdings Ltd	USD100mn	MAOIH 13.25%'20s	100 + accrued interest
8-Oct-18	Shimao Property Holdings Ltd	USD250mn	3NC2	6.375%
8-Oct-18	Kasikornbank PCL	USD100mn	5-year	3mL+95bps
4-Oct-18	Macquarie Group Ltd	USD850mn	11.25NC10.25	CT10+185bps
2-Oct-18	Aspial Corp Ltd	SGD20.75mn	3-year	6.25%
27-Sept-18	The Independent State of Papua New Guinea	USD500mn	10-year	8.375%

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
zhiqiseow@ocbc.com

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