

Mar 16, 2018

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 3-5bps lower.
- Flows in SGD corporates were light yesterday.
- In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 118bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 356bps.
- 10Y UST yields rose 1bps to 2.83% due to strong U.S employment and manufacturing data. The rise in yields were partially offset by the news that Robert S.Muller III has subpoenaed the Trump Organisation to turn over documents related to Russia and other topics he is investigating.

Credit Headlines

Chip Eng Seng (“CES”) | Issuer Profile: Negative (6)

- CES announced that its wholly-owned subsidiary in Australia has entered into an agreement to sell its property located at 150 Queen Street, Melbourne (“Tower Melbourne”) for AUD55mn (excluding goods and services tax). The proposed disposal is expected to complete on 3 July 2018.
- Tower Melbourne was originally envisaged to be redeveloped into 71-storeys of 581 residential units and these units have been mostly sold, with receipt of 10%-deposits collected. As a result of protracted legal tussles with the owner of the adjoining property, in November 2017, CES scrapped the original plan and commenced the termination of the sale contracts with buyers. All sale contracts have been terminated to date.
- The owner of the adjoining property, a firm controlled by a Singapore-based family, is concurrently selling their properties next door, as part of the same sale process.
- In end-2017, CES net gearing stood at 1.6x. Notwithstanding some recognition of gains from the sale, we do not expect the receipt of disposal proceeds to materially change CES’ net gearing levels as we think existing cash balance was drawn down to refund purchase deposits. (Company, OCBC)

CWT International (“CWTI”) | Issuer Profile: Negative (6)

- CWTI has announced a positive profit alert for FY2017 versus the loss attributable to owners of ~HKD21.9mn recorded in FY2016 based on the preliminary assessment of its unaudited and consolidated management accounts of the group.
- The profit expectation is mainly attributable to (1) A non-recurring gain on bargain purchase from the acquisition of CWT Limited (now known as CWT Pte. Limited and its subsidiaries (“CWT”)) recognized by CWTI and (2) the consolidation of profits from CWT (which is now a subsidiary of CWTI).
- The consolidated financials with CWT will be publicly disclosed for the first time (expected to be announced by end-March 2018).
- We are currently holding CWTI’s issuer profile at Negative (6) though will re-look this when the results are published. (Company, OCBC)

Oxley Holdings Limited (“OHL”) | Issuer Profile: Negative (6)

- Further to yesterday’s announcement of OHL’s proposed share placement, OHL today further announced that the placement will be upsized from 98mn new shares to 157mn new shares. This will increase potential gross proceeds from ~SGD51mn to ~SGD78mn. Proceeds will be used for working capital including funding of project development.
- The upsize according to management is due to significantly strong interest from institutional funds and is consistent with our view of OHL’s strong track record despite some concerns on OHL’s elevated gearing levels.
- OHL’s current issuer profile of Negative (6) Issuer Profile is in view of its stretched balance sheet. (Company, OCBC)

Table 1: Key Financial Indicators

	16-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	67	-1	-1
iTraxx SovX APAC	11	-2	-5
iTraxx Japan	47	-2	2
iTraxx Australia	57	0	0
CDX NA IG	55	-1	-2
CDX NA HY	107	-1	-8
iTraxx Eur Main	51		
iTraxx Eur XO	259	1	0
iTraxx Eur Snr Fin	53	-1	0
iTraxx Sovx WE	19	-2	-7
AUD/USD	0.779	-0.73%	-1.49%
EUR/USD	1.231	-0.02%	-0.81%
USD/SGD	1.315	0.13%	-0.28%
China 5Y CDS	57	0	-1
Malaysia 5Y CDS	64	0	2
Indonesia 5Y CDS	91	1	3
Thailand 5Y CDS	40	0	-2

	16-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	65.06	-0.66%	0.34%
Gold Spot (\$/oz)	1,316.04	-0.60%	-2.30%
CRB	193.89	0.12%	0.16%
GSCI	441.32	-0.69%	-0.51%
VIX	16.59	0.30%	-14.75%
CT10 (bp)	2.821%	-7.31	-5.42
USD Swap Spread 10Y (bp)	4	1	2
USD Swap Spread 30Y (bp)	-14	2	1
TED Spread (bp)	45	2	17
US Libor-OIS Spread (bp)	46	2	16
Euro Libor-OIS Spread (bp)	2	-1	0
DJIA	24,874	-0.09%	-1.37%
SPX	2,747	0.31%	0.55%
MSCI Asiax	747	1.81%	2.90%
HSI	31,452	1.47%	1.08%
STI	3,507	0.62%	1.85%
KLCI	1,843	-0.06%	0.25%
JCI	6,287	-2.27%	-4.62%

Source: OCBC, Bloomberg

New issues

- Mapletree Commercial Trust Treasury Co Pte Ltd has priced a SGD120mn 6.5-year bond (guaranteed by DBS Trustee Ltd (in its capacity as trustee of Mapletree Commercial Trust) at 3.28%, tightening from its initial price guidance of 3.32%.
- Rural Electrification Corp Ltd (RECLIN) has priced a USD300mn 10-year bond at CT10+200bps, tightening from its initial price guidance of CT10+215bps area.
- Asciano Finance Ltd (AIOAU) has priced a USD400mn 10-year bond (guaranteed by Asciano Ltd (Parent) and other guarantors defined in the Offering Circular dated 28 Feb 2018) at CT10+205bps, tightening from its initial price guidance of CT10+215bps area.
- Shandong Xinheng International Co Ltd has scheduled for investor meetings from 16 Mar for its potential USD bond issuance (guaranteed by Shandong Iron & Steel Group Co Ltd).

Table 2: Recent Asian New Issues

Date	Issuer	Size	Tenor	Pricing
15-Mar-18	Asciano Finance Ltd	USD400mn	10-year	CT10+205bps
15-Mar-18	Rural Electrification Corp Ltd	USD300mn	10-year	CT10+200bps
15-Mar-18	Mapletree Commercial Trust Treasury Co Pte Ltd	SGD120mn	6.5-year	3.28%
14-Mar-18	Korea Expressway Corp	CNH1.3bn	3-year	4.73%
13-Mar-18	Greenland Global Investment Ltd	CNH1.5bn	3-year	7.2%
13-Mar-18	HuaSing International Holdings Co Ltd	USD200mn	5-year	CT5+260bps
13-Mar-18	HuaSing International Holdings Co Ltd	USD300mn	3-year	CT3+225bps
13-Mar-18	Rail Transit International Development Co Ltd	EUR400mn	4.25-year	MS+145bps
13-Mar-18	Chengdu Xingcheng Investment Group Co Ltd	EUR135mn	5-year	MS+285bps
13-Mar-18	Chengdu Xingcheng Investment Group Co Ltd	EUR365mn	3-year	MS+250bps
12-Mar-18	Land Transport Authority of Singapore	SGD900mn	30-year	3.35%
12-Mar-18	Land Transport Authority of Singapore	SGD300mn	10-year	2.75%
12-Mar-18	Xinyuan Real Estate Co Ltd	USD200mn	2-year	9.875%

Source: OCBC, Bloomberg

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