

Nov 20, 2018

Credit Headlines: Société Générale, Hotel Properties Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates trading 1-2bps lower across most tenors.
- Flows in SGD corporates were heavy yesterday, with better buying seen in UBS 5.875%-PERP and HSBC 4.7%-PERP.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 155bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 12bps to 614bps.
- 10Y UST yields rose 4bps to 3.09% in the earlier part of the trading session ahead of the speech from New York Federal Reserve President John Williams. Yields subsequently fell 3bps to close at a six-week low of 3.06% on the back of safe haven demand due to tumbling tech stocks.

Credit Headlines:

Société Générale (“SG”) | Issuer Profile: Neutral (4)

- SG has announced that it has agreed to pay USD1.34bn to US authorities to settle violations of US economic sanctions against Cuba, Iran and Sudan over 2003-2013. SG will also pay USD95mn to settle violations of anti-money laundering regulations.
- This settlement and SG’s negotiations with US authorities was [previously flagged](#) with SG indicating it had already allocated EUR1.2bn to settle the matter.
- As at 30 September 2018, provisions for disputes were EUR1.58bn and SG has previously indicated that approximately EUR1.2bn of this is allocated for this matter.
- Although the existing provision allocation should cover the agreed fine and will not impact future results according to management, we note that there remains little buffer for additional unexpected fines should these occur. That said, settlement of this case reduces legal risk for SG going forward. (Company, OCBC)

Hotel Properties Ltd (“HPL”) | Issuer Profile: Neutral (4)

- Under a 50-50 JV with its controlling shareholder Mr Ong Beng Seng, HPL acquired for EUR39.5mn (~SGD62.0mn) a 740 acre site, which includes Castello Del Nero, a 50-key 5 star hotel in Tuscany Italy.
- We believe HPL has the liquidity to fund this with SGD91.0mn cash on hand as of 3Q2018 and its net gearing should remain manageable around 25% post-transaction (3Q2018: 24.5%). (Company, OCBC)

Table 1: Key Financial Indicators

	20-Nov	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	94	6	6
iTraxx SovX APAC	10	1	0
iTraxx Japan	63	1	7
iTraxx Australia	85	6	7
CDX NA IG	77	7	9
CDX NA HY	104	-1	-2
iTraxx Eur Main	80	9	6
iTraxx Eur XO	326	32	32
iTraxx Eur Snr Fin	102	13	11
iTraxx Sovx WE	28	2	1
AUD/USD	0.730	1.11%	3.06%
EUR/USD	1.146	1.46%	-0.08%
USD/SGD	1.372	0.61%	0.62%
China 5Y CDS	72	6	5
Malaysia 5Y CDS	117	9	11
Indonesia 5Y CDS	150	4	2
Thailand 5Y CDS	45	2	2

	20-Nov	1W chg	1M chg
Brent Crude Spot (\$/bbl)	66.79	-4.75%	-16.28%
Gold Spot (\$/oz)	1,223.58	1.78%	0.12%
CRB	188.76	0.16%	-4.27%
GSCI	435.24	-1.41%	-8.32%
VIX	20.1	15.78%	1.06%
CT10 (bp)	3.061%	-7.87	-13.11
USD Swap Spread 10Y (bp)	6	0	0
USD Swap Spread 30Y (bp)	-12	-2	-3
TED Spread (bp)	30	3	14
US Libor-OIS Spread (bp)	31	2	11
Euro Libor-OIS Spread (bp)	3	-1	0
DJIA	25,017	-1.46%	-1.68%
SPX	2,691	-1.30%	-2.78%
MSCI Asiax	607	1.84%	2.00%
HSI	26,372	2.88%	3.17%
STI	3,065	-0.10%	0.08%
KLCI	1,711	0.86%	-1.24%
JCI	6,005	3.95%	2.88%

New issues

- Takeda Pharmaceutical Co Ltd has priced a USD5.5bn deal across 4 tranches, with the USD1bn 2-year bond priced at CT2+105bps, tightening from its initial price guidance of CT2+120bps area; the USD1.25bn 3-year bond at CT3+120bps, tightening from its initial price guidance of CT3+130bps area, the USD1.5bn 5-year bond at CT5+155bps, tightening from its initial price guidance of CT5+160bps area and the USD1.75bn 10-year bond at CT10+200bps, tightening from its initial price guidance of CT10+200bps area.
- DBS Bank Ltd has priced a USD1.25bn 3-year covered bond (guaranteed by Bayfront Covered Bonds Pte Ltd) at MS+31bps, tightening from its initial price guidance of MS+33bps area.
- The Export-Import Bank of Korea has priced USD1bn deal across two tranches, with the USD500mn 3-year bond priced at CT3+67.5bps, tightening from its initial price guidance of CT3+90bps area and the USD500mn 5-year bond at CT5+87.5bps, tightening from its initial price guidance of CT5+110bps area.
- Scenery Journey Ltd has priced a USD1bn re-tap of its TIANHL 11.0%'20s (guaranteed by Tianji Holding Limited, keepwell provider: Hengda Real Estate Group Co Ltd) at 100, in line with the final price guidance.
- Times China Holdings Limited has priced a USD300mn 2-year bond (subsidiary guarantors: certain of the Issuer's restricted subsidiaries incorporated outside of the PRC) at 11.0%, in line with its initial price guidance.
- Greenland Global Investment Limited has priced a USD200mn 1.5-year bond (guaranteed by Greenland Holdings Group Company Limited) at 9.25%, tightening from its initial price guidance of low 9%.
- Shanghai Pudong Development Bank Co Ltd., Singapore Branch has priced a USD300mn FRN at 3mL+87bps, tightening from its initial price guidance of 3mL+110bps area.
- Minor International PLC has scheduled for investor meetings from 20 Nov for its potential USD bond issuance.
- Hyundai Motor Co Ltd has scheduled for investor meetings from 28 Nov for its potential bond issuance.
- Chugoku Electric Power Co Inc has scheduled for investor meetings from 26 Nov for its potential 5-year USD bond issuance.
- Eastern Creation II Investment Holdings Ltd has scheduled for investor meetings from 20 Nov for its potential bond issuance (guaranteed by Beijing Infrastructure Investment Co Ltd).
- Yunnan Energy Investment Overseas Finance Company Ltd has scheduled for investor meetings from 20 Nov for its potential bond issuance (guaranteed by Yunnan Provincial Energy Investment Group Co Ltd).
- Chengdu Economic & Technological Development Zone State-owned Assets Investment Co Ltd has scheduled for investor meetings from 20 Nov for its potential USD bond issuance.
- Yancoal International Resources Development Co Ltd has scheduled for investor meetings from 20 Nov for its potential USD bond issuance (guaranteed by Yanzhou Coal Mining Co Ltd).

New issues

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
19-Nov-18	Takeda Pharmaceutical Co Ltd	USD1bn	2-year	CT2+105bps
19-Nov-18	Takeda Pharmaceutical Co Ltd	USD1.25bn	3-year	CT3+120bps
19-Nov-18	Takeda Pharmaceutical Co Ltd	USD1.5bn	5-year	CT5+155bps
19-Nov-18	Takeda Pharmaceutical Co Ltd	USD1.75bn	10-year	CT10+200bps
19-Nov-18	DBS Bank Ltd	USD1.25bn	3-year	MS+31bps
19-Nov-18	The Export-Import Bank of Korea	USD500mn	3-year	CT3+67.5bps
19-Nov-18	The Export-Import Bank of Korea	USD500mn	5-year	CT5+87.5bps
19-Nov-18	Scenery Journey Ltd	USD1bn	TIANHL 11.0%'20s	100
19-Nov-18	Times China Holdings Limited	USD300mn	2-year	11.0%
19-Nov-18	Greenland Global Investment Limited	USD200mn	1.5-year	9.25%
19-Nov-18	Shanghai Pudong Development Bank Co Ltd., Singapore Branch	USD300mn	3-year	3mL+87bps
15-Nov-18	Agile Group Holdings Ltd	USD400mn	2-year	9.5%
15-Nov-18	Thaioil Treasury Center Co Ltd	USD400mn	10-year	CT10+165bps
15-Nov-18	Thaioil Treasury Center Co Ltd	USD600mn	30-year	CT30+210bps
15-Nov-18	Aviation PLC	USD50mn	AVTCAP 6.5%'21s	99.75
15-Nov-18	UBS Group Funding (Switzerland) AG	SGD700mn	Perp NC5	5.875%

Source: OCBC, Bloomberg

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