

Mar 22 2018

Market Commentary

- The SGD swap curve flattened yesterday, with the swap rates for the shorter tenors trading 3-6bps higher while the longer tenors traded 1-3bps higher.
- Flows in SGD were heavy yesterday, with better buying in HSBC 4.7%-PERP.
- In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 119bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 363bps.
- 10Y UST yields fell 1bps to 2.88%, after a Fed decision that was less hawkish than some expected.

Credit Headlines

Henderson Land Development Co Ltd (“HLD”) | Issuer Profile: Neutral (3)

- HLD reported 2017 results. Overall results appear decent, with underlying profit increasing 38% y/y to HKD19.6bn. This is mainly supported by an increase in gain on sale of property interest (+90% y/y to HKD7.5bn), including Newton Place Hotel (realized gain: HKD1.5bn), Newton Inn (HKD697mn), Beijing Henderson Centre (HKD1.0bn), land site in Guangzhou (HKD1.0bn) and nine property development projects in China (HKD275mn).
- Contributions by attributable pre-tax underlying profit from property development also increased (+44% y/y to HKD5.9bn), supported by higher housing prices in Hong Kong (HK development properties: +24.3% y/y to HKD3.5bn) as well as contributions from Mainland China (attributable pre-tax underlying profit: +44% y/y to HKD5.9bn) due to by projects held by subsidiaries.
- Net gearing increased 6.3 pp y/y to 19.0% y/y mainly due to settlement of HKD23.3bn land premium at the Murray. Net gearing is likely to continue increasing (to low ~20%) as HLD acquired two plots of land in Kai Tak for HKD16.0bn in Feb 2018.
- Nevertheless, we continue to hold HLD at a Neutral (3) Issuer Profile as it remains supported with recurring income from property leasing (attributable pre-tax net rental income: +3% y/y to HKD6.6bn) and contributions from 41.53%-owned Hong Kong and China Gas Co Ltd (+8% y/y to HKD2.9bn).

Ezion Holdings Ltd (“EZI”) | Issuer Profile: Negative (7)

- EZI guided that the net loss for both 4Q2017 and FY2017 will be ~USD1bn, largely due to USD900mn impairment losses. This is not unexpected as we had flagged out our concerns over the [potential asset impairments over a year ago](#) and during our review in [Oct 2017](#) and [Feb 2018](#). A consolation though is that net cash from operating activities remains positive at USD20mn in 4Q2017.
- Separately, EZI has entered into a non-binding term sheet for the proposed sale of up to 98mn share options in Alpha Energy Holdings Ltd. At the exercise price of SGD0.09 per share (SGD8.8mn total consideration), we think this will not be material to EZI's credit profile.
- Following the successful refinancing from six secured lenders and approval by noteholders during the consent solicitation exercise in Nov 2017, EZI will be conducting an informal meeting with shareholders tomorrow (23 March) ahead of the EGM on 28 March.
- We continue to hold EZI at a Negative (7) Issuer Profile for now, pending updates from the 4Q2017 results and EGM.

Credit Headlines (cont'd) :

Olam International Limited ("Olam") | Issuer Profile: Neutral (5)

- Olam announced the disposal of its 50% equity interest in investment holding company Nauvu Investments Pte. Ltd. ("Nauvu"), to Wilmar Resources Pte Ltd, a wholly-owned subsidiary of Wilmar International Limited ("Wilmar") for up to USD148mn.
- Nauvu was a 50:50 joint venture between Olam and Wilmar.
- The transaction is unlikely to impact Olam's issuer profile at Neutral (5). (Company. OCBC)

Table 1: Key Financial Indicators

	22-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	77	7	7
iTraxx SovX APAC	13	12	7
iTraxx Japan	54	7	7
iTraxx Australia	68	0	0
CDX NA IG	62	8	5
CDX NA HY	107	28	15
iTraxx Eur Main	58		
iTraxx Eur XO	284	11	10
iTraxx Eur Snr Fin	63	-6	-5
iTraxx Sovx WE	18	8	-1
AUD/USD	0.776	-0.51%	-1.12%
EUR/USD	1.237	0.49%	0.28%
USD/SGD	1.313	0.08%	0.51%
China 5Y CDS	64	9	5
Malaysia 5Y CDS	72	9	8
Indonesia 5Y CDS	102	13	14
Thailand 5Y CDS	44	6	3

	22-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	69.63	6.93%	4.88%
Gold Spot (\$/oz)	1,333.55	1.33%	0.11%
CRB	196.02	0.79%	0.38%
GSCI	453.47	2.69%	1.03%
VIX	17.86	3.66%	-4.59%
CT10 (bp)	2.872%	4.40	-4.87
USD Swap Spread 10Y (bp)	4	0	3
USD Swap Spread 30Y (bp)	-14	0	3
TED Spread (bp)	46	3	18
US Libor-OIS Spread (bp)	53	5	20
Euro Libor-OIS Spread (bp)	2	-1	0
DJIA	24,682	-0.31%	-1.12%
SPX	2,712	-1.37%	0.29%
MSCI Asiax	741	-0.85%	1.95%
HSI	31,415	-0.07%	1.45%
STI	3,511	-0.19%	0.65%
KLCI	1,866	1.11%	0.58%
JCI	6,313	-1.09%	-4.25%

Source: OCBC, Bloomberg

New issues

- CCT MTN has priced a SGD100mn 6-year bond (guaranteed by HSBC Institutional Trust Services (Singapore) (in its capacity as trustee of CapitaLand Commercial Trust) at 3.17%, in line with its initial guidance.
- Jinshine International Co Ltd has scheduled for investor meetings on 21 Mar for its potential USD bond issuance (guaranteed by Xuzhou Economic and Technology Development Zone State-owned Assets Management Co Ltd).

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
21-Mar-18	CCT MTN	SGD100mn	6-year	3.17%
20-Mar-18	Inter-American Development Bank	AUD200mn	IADB 3.74%'28	ASW+41bps
20-Mar-18	Nederlandse Waterschapsbank NV	AUD100mn	NEDWBK 3.45%'28	3.297%
20-Mar-18	The Republic of the Philippines	CNH1.46bn	3-year	5.0%
20-Mar-18	RH International Singapore Corp Pte Ltd	USD300mn	10-year	CT10+162.5bps
19-Mar-18	Orient HuiZhi Ltd	USD250mn	ORSECH 3.625%'22	96.501
19-Mar-18	Beijing Capital Polaris Investment Co Ltd	CNH630mn	2-year	5.2%
19-Mar-18	Beijing Capital Polaris Investment Co Ltd	USD500mn	3-year	CT3+187.5bps
19-Mar-18	Shinhan Bank Co Ltd	USD400mn	10-year	CT10+165bps
19-Mar-18	Macquarie Group Ltd	USD500mn	11NC10	CT11+180bps
19-Mar-18	Macquarie Group Ltd	USD550mn	6NC5	3mL+135bps
19-Mar-18	Macquarie Group Ltd	USD700mn	6NC5	CT6+150bps
15-Mar-18	Mapletree Commercial Trust Treasury Co Pte Ltd	SGD120mn	6.5-year	3.28%

Source: OCBC, Bloomberg

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