

Aug 23, 2018

Credit Headlines: CWT International Ltd

Market Commentary

- The SGD swap curve steepened on Tuesday, with swap rates for the shorter tenors trading 0-2bps lower while the longer tenors traded 1.5bps higher.
- Flows in SGD corporates were heavy on Tuesday, with better buying seen in OCBCSP 4.0%-PERPs and PREHSP 5.95%'20s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged 139bps overnight (tightened 1bps since Monday) while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps overnight to 490bps (widened 2bps since Monday).
- 10Y UST yields fell 1bps to 2.81%, its six-week low in the earlier part of the trading session on the back of safe haven demand due to the US political uncertainty. Yields subsequently recovered 1bps to close at 2.82%.

Credit Headlines:

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

- CWTI released its interim results for 1H2018 ended 30 June, 2018. Per its FY2017 results, numbers are not comparable y/y due to the acquisition of CWT Pte. Limited and its subsidiaries (“CWT SG”) in September 2017 with CWT SG being the dominant contributor to CWTI’s consolidated earnings performance.
- While top-line performance was materially stronger with gross profit of HKD973mn for 1H2018 against HKD69mn for 1H2017, net profit was substantially weaker with a net loss of SGD573mn in 1H2018 against a net profit of HKD63mn for 1H2017. This was flagged in CWTI’s profit warning announcement on July 25th with the key drivers for the loss being revaluation losses on investment properties and higher financing expenses.
- Higher financing expenses relate to the acquisition debt that CWTI took on to fund the purchase of CWT SG, with the USD561mn raised maturing in May 2018 (USD300mn) and September 2018 (USD261mn). These impending maturities without sufficient cash sources was the reason that CWTI’s independent [Auditor cast material uncertainty related to the going concern](#) of CWTI in its 2017 annual report. CWTI have finally provided an update on the refinancing of these maturities with management stating that a 1 year facility agreement has been entered into on 7 July 2018 for USD550mn. This substantially addresses the immediate refinancing risk. CWTI expects to drawdown on the facility in September 2018 although the usage is still subject to completion of conditions precedent, including obtaining final internal approvals of the lenders. As such, the auditors have continued to state the existence of material uncertainties with regards to CWTI’s ability to continue as a going concern in the interim results.
- CWTI’s balance sheet is going through a transformation due to the [sale of 5 warehouses to Mapletree Logistics Trust](#) as well as the sale of an investment property in the UK with HKD5.4bn in assets classified as held for sale. As such, CWTI’s balance sheet will shrink going forward. The sale of these assets was approved in CWTI’s general meeting held 16 August with completion of the sale expected either (1) 4 weeks after the approval was received; (2) no later than 28 September; or (3) no later than 15 days after either (1) or (2) or any other date mutually agreed, whichever is later. Completion of the sale is expected to address CWTI’s near term refinancing risks.
- As a reminder, we are maintaining the issuer profile of CWTI at Negative (6) and continue to monitor the developments. We also have underweight calls on both the CWT SG bonds. (Company, OCBC)

Table 1: Key Financial Indicators

	23-Aug	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	80	-5	-6
iTraxx SovX APAC	11	0	-2
iTraxx Japan	55	-1	-6
iTraxx Australia	74	-1	-6
CDX NA IG	60	-3	-2
CDX NA HY	107	0	0
iTraxx Eur Main	67	-5	1
iTraxx Eur XO	289	-24	-2
iTraxx Eur Snr Fin	81	-8	1
iTraxx Sovx WE	27	-2	3
AUD/USD	0.732	0.81%	-0.83%
EUR/USD	1.157	1.73%	-1.01%
USD/SGD	1.368	0.50%	-0.22%
China 5Y CDS	58	-6	-5
Malaysia 5Y CDS	88	-4	-3
Indonesia 5Y CDS	119	-8	4
Thailand 5Y CDS	42	-1	-3

	23-Aug	1W chg	1M chg
Brent Crude Spot (\$/bbl)	74.72	4.61%	2.27%
Gold Spot (\$/oz)	1,194.69	1.75%	-2.43%
CRB	191.12	2.23%	-0.71%
GSCI	460.33	3.42%	0.54%
VIX	12.25	-16.33%	-2.93%
CT10 (bp)	2.815%	-5.06	-13.88
USD Swap Spread 10Y (bp)	8	0	2
USD Swap Spread 30Y (bp)	-6	1	2
TED Spread (bp)	25	-1	-12
US Libor-OIS Spread (bp)	24	-3	-12
Euro Libor-OIS Spread (bp)	4	1	0
DJIA	25,734	2.27%	2.75%
SPX	2,862	1.54%	1.95%
MSCI Asiax	661	3.03%	-1.03%
HSI	27,928	2.21%	-1.16%
STI	3,200	-1.33%	-2.97%
KLCI	1,798	0.80%	2.48%
JCI	5,944	1.42%	1.22%

New issues

- National Australia Bank Ltd has priced a EUR2bn deal across two tranches with the EUR750mn 5-year green bond priced at MS+36bps, tightening from its initial price guidance of MS+50bps area and the EUR1.25bn 10-year bond priced at MS+53bps, tightening from its initial price guidance of MS+65bps area.
- JGC Ventures Pte Ltd has priced a USD150mn 3NC1 bond (guaranteed by PT Modernland Realty TBK and certain of its subsidiaries) at 10.75%, in line with its initial price guidance.
- Fufeng Group Ltd has priced a USD350mn 3-year bond at CT3+325bps, tightening from its initial price guidance of CT3+345bps.
- Logan Property Holdings Co Ltd has priced a USD300mn 3NC2 bond (subsidiary guarantor: certain offshore subsidiaries of issuer) at 7.75%, tightening from its initial price guidance of the high 7% area.
- ABN Amro Group NV has priced a USD2bn deal across two tranches with the USD1bn 3-year bond priced at CT3+75bps tightening from its initial price guidance of CT3+low 90bps area and the USD1bn 3-year FRN at 3mL+57bps, in line with its initial price guidance.
- Commerzbank AG has priced a EUR1.75bn deal across two tranches with the EUR1.25bn 5-year bond priced at MS+35bps, tightening from its initial price guidance of MS+50bps area and the EUR500mn 10-year bond priced at MS+65bps, tightening from its initial price guidance of MS+80bps area.
- Redco Properties Group has scheduled for investor calls on 22 Aug for its potential USD bond issuance.
- Korea Expressway Corp has hired banks for its potential USD bond issuance.
- Central Japan Railway Co Ltd has scheduled for investors meetings from 28 Aug for its potential 5-year USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
22-Aug-18	National Australia Bank Ltd	EUR750mn	5-year	MS+36bps
22-Aug-18	National Australia Bank Ltd	EUR1.25bn	10-year	MS+53bps
21-Aug-18	JGC Ventures Pte Ltd	USD150mn	3NC1	10.75%
21-Aug-18	Fufeng Group Ltd	USD350mn	3-year	CT3+325bps
21-Aug-18	Logan Property Holdings Co Ltd	USD300mn	3NC2	7.75%
21-Aug-18	ABN Amro Group NV	USD1bn	3-year	CT3+75bps
21-Aug-18	ABN Amro Group NV	USD1bn	3-year	3mL+57bps
21-Aug-18	Commerzbank AG	EUR1.25bn	5-year	MS+35bps
21-Aug-18	Commerzbank AG	EUR500mn	10-year	MS+65bps
20-Aug-18	Singtel Group Treasury Pte Ltd	USD500mn	10-year	CT10+105bps
20-Aug-18	Zhejiang Baron (BVI) Company Limited	USD200mn	3-year	6.8%

Source: OCBC, Bloomberg

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