

Nov 23, 2018

Credit Headlines: Wing Tai Properties

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates for the short tenors trading 1-2bps lower while the longer tenors traded 3bps lower.
- Flows in SGD corporates were heavy yesterday, with better buying seen in UBS5.875%-PERPs.
- Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged at 156bps and 623bps after being stable and 7bps wider respectively the day before.
- 10Y UST yields remain unchanged at 3.06% as US markets were closed for Thanksgiving day.

Credit Headlines:

Wing Tai Properties (“WTP”) | Issuer Profile: Neutral (4)

- Under a 50-50 JV, WTP is partnering Manhattan to acquire a London property with 403,639 sqft of space including prime office, retail and ancillary accommodation. WTP's share of contribution is GBP230mn (HKD2.3bn). The purpose of acquisition is to expand the property investment portfolio to generate steady flow of rental income.
- Manhattan is a privately held holding company founded in Hong Kong in 1958, with principal businesses in real estate investment holding and property development.
- We estimate that net gearing will increase to ~13% (1H2018: 4.7%) following the transaction. If we include HKD7.3bn contingent liabilities as of 1H2018 and account for the perpetuums (which are senior) as debt, we estimate adjusted net gearing at 43.5%. We continue to hold WTP at a Neutral (4) Issuer Profile given that the credit metrics remain manageable for now. However, we note that WTP has undertaken significant acquisitions in the recent years (e.g. HKD11.6bn acquisition of Peel Street/Graham Street in Oct 2017), despite monetising several properties (e.g. sale of Winner Godown for HKD2.2bn in Dec 2017 and HKD2.9bn disposal of W Square in June 2018), which could pressure its credit profile if such significant acquisitions continue. We note that WTP has indicated that it is in its long-term business strategy to accelerate the expansion of its strategic land bank and enhance its investment portfolio, guiding in the 1H2018 results that it is looking at opportunities to acquire yield-enhancing investment properties in Hong Kong and London. (Company, OCBC)

Table 1: Key Financial Indicators

	23-Nov	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	97	4	8
iTraxx SovX APAC	11	0	1
iTraxx Japan	64	2	8
iTraxx Australia	89	5	8
CDX NA IG	78	3	10
CDX NA HY	104	0	-2
iTraxx Eur Main	80	2	4
iTraxx Eur XO	330	13	29
iTraxx Eur Snr Fin	104	4	8
iTraxx Sovx WE	28	0	0
AUD/USD	0.725	-1.09%	2.34%
EUR/USD	1.140	-0.10%	-0.58%
USD/SGD	1.373	0.00%	0.42%
China 5Y CDS	73	4	5
Malaysia 5Y CDS	119	4	12
Indonesia 5Y CDS	152	4	1
Thailand 5Y CDS	46	1	3

	23-Nov	1W chg	1M chg
Brent Crude Spot (\$/bbl)	62.60	-6.03%	-21.58%
Gold Spot (\$/oz)	1,227.66	0.35%	-0.21%
CRB	185.00	-1.62%	-6.21%
GSCI	422.13	-2.47%	-11.19%
VIX	20.8	-2.12%	5.91%
CT10 (bp)	3.063%	-4.76	-13.51
USD Swap Spread 10Y (bp)	6	0	0
USD Swap Spread 30Y (bp)	-11	0	-2
TED Spread (bp)	28	2	11
US Libor-OIS Spread (bp)	32	1	11
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	24,465	-2.46%	-3.37%
SPX	2,650	-1.91%	-3.84%
MSCI Asiax	600	-1.07%	-0.68%
HSI	26,019	-0.32%	2.65%
STI	3,041	-0.43%	0.33%
KLCI	1,696	0.43%	-0.12%
JCI	5,991	2.26%	3.33%

New issues

- Yancoal International Resources Development Co Ltd has priced a USD275mn 3-year bond (guaranteed by Yanzhou Coal Mining Company Ltd) at 6.0%, tightening from its initial price guidance of 6.25%.
- Haichuan International Investment Co Ltd has priced a USD100mn 3-year bond (guaranteed by Jiansu Fangyang Group Co Ltd) at 7.5%, in line with the final price guidance.
- Greenland Global Investment Limited has priced a USD80mn re-tap of its GRNLGR 9.125%'20s (guaranteed by Greenland Holding Group Company Limited) at 9.25%.
- Power Grid Corp of India Ltd has scheduled for investor meetings from 26 Nov for its potential bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
22-Nov-18	Yancoal International Resources Development Co Ltd	USD275mn	3-year	6.0%
22-Nov-18	Haichuan International Investment Co Ltd	USD100mn	3-year	7.5%
22-Nov-18	Greenland Global Investment Limited	USD80mn	GRNLGR 9.125%'20s	9.25%
21-Nov-18	Yunnan Energy Investment Overseas Finance Company Ltd	USD200mn	3-year	6.75%
21-Nov-18	Hongkong Land Treasury Services (Singapore) Pte Ltd	SGD140mn	20-year	3.95%
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%

Source: OCBC, Bloomberg

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