

June 26, 2018

Credit Headlines: Keppel Corporation Limited

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1bps higher while the longer tenors traded 1-4bps lower.
- Flows in SGD corporates were light yesterday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 143bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 477bps.
- 10Y UST yields fell 3bps initially to 2.86%, its lowest in 3-weeks. This was due to concerns about trade wars and divisions within the euro zone which boosted demand for longer-dated safe haven debt. 10Y UST yields subsequently rose to close at 2.88% after White House trade and manufacturing adviser Peter Navarro commented that investment restrictions proposed by the Trump administration would target China and not other countries.

Credit Headlines:

Keppel Corporation Limited (“KEPSP”) | Issuer Profile: Neutral (3)

- Keppel Land Limited (“KLL”), a wholly-owned subsidiary of KEP) through KLL’s indirectly wholly-owned subsidiary, Orbista Pte Ltd (“Orbista”), has entered into a sale and purchase agreement today with Messrs. Pham Quong Hung (“buyer”) for the sale of part of Orbista’s interests in Quoc Loc Phat Joint Stock Company (“QLP”).
- QLP is a developer located in Ho Chi Minh City, Vietnam and KEP indirectly holds a 45%-stake in QLP. 30%-stake will be sold to the buyer for VND702.0 bn (~SGD41.2mn) in cash. Following the proposed divestment, KEP would indirectly still hold a 15% interest in QLP, this stake is intended to be eventually sold.
- Given the small scale, this transaction is credit neutral in our view. (Company, OCBC)

Table 1: Key Financial Indicators

	26-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	84	3	9
iTraxx SovX APAC	14	0	2
iTraxx Japan	53	1	8
iTraxx Australia	75	2	8
CDX NA IG	67	4	3
CDX NA HY	106	0	0
iTraxx Eur Main	73	5	8
iTraxx Eur XO	314	12	15
iTraxx Eur Snr Fin	88	8	12
iTraxx Sovx WE	26	3	1
AUD/USD	0.741	0.34%	-1.86%
EUR/USD	1.170	0.97%	0.66%
USD/SGD	1.362	-0.40%	-1.44%
China 5Y CDS	61	3	6
Malaysia 5Y CDS	107	3	23
Indonesia 5Y CDS	136	-3	23
Thailand 5Y CDS	47	0	3

	26-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	74.86	-0.29%	-2.07%
Gold Spot (\$/oz)	1,266.72	-0.62%	-2.49%
CRB	195.34	-0.43%	-3.93%
GSCI	466.27	-0.24%	-3.28%
VIX	17.33	40.78%	31.09%
CT10 (bp)	2.875%	-2.19	-5.65
USD Swap Spread 10Y (bp)	7	0	3
USD Swap Spread 30Y (bp)	-7	-1	2
TED Spread (bp)	43	2	2
US Libor-OIS Spread (bp)	41	0	-2
Euro Libor-OIS Spread (bp)	3	-1	-1
DJIA	24,253	-2.94%	-2.02%
SPX	2,717	-2.04%	-0.16%
MSCI Asiax	677	-1.82%	-5.38%
HSI	28,961	-4.45%	-5.32%
STI	3,261	-1.90%	-7.18%
KLCI	1,678	-3.75%	-6.64%
JCI	5,859	-4.05%	-1.95%

New issues

- Far East Horizon Ltd priced a USD400mn 3-year FRN at 3mL+200bps, tightening from its initial price guidance of 3mL+220bps.
- China Huarong Asset Management Corp has hired banks for its potential USD bond issuance.
- Trade Horizon Global Ltd has scheduled for investor meetings from 26 – 27 Jun for its potential USD/CNH bond issuance (guaranteed by Beijing Capital Group Co Ltd).

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
25-Jun-18	Far East Horizon Ltd	USD400mn	3-year	3mL+200bps
21-Jun-18	Agile Group Holdings Ltd	USD100mn	Perp NC3	8.55%
21-Jun-18	Horse Gallop Finance Ltd	USD700mn	3-year	3mL+118bps
21-Jun-18	Zhenro Properties Group Ltd	USD250mn	2-year	11.5%
20-Jun-18	Guangsha Holding Group Co Ltd	USD300mn	364-day	7.0%
20-Jun-18	GS Caltex Corp	USD300mn	5-year	CT5+120bps
19-Jun-18	Korea Development Bank	CNH1.75bn	3-year	4.6%
19-Jun-18	Greenland Hong Kong Holdings Ltd	USD200mn	364-day	7.875%
15-Jun-18	Greenland Global Investment Ltd	USD250mn	3.25-year	3mL+485bps
14-Jun-18	CFLD Cayman Investment Ltd	USD200mn	3-year	9.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	HKD2.6bn	2-year	3.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	5-year	3mL+85bps
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	3-year	3mL+75bps
12-June-18	Mapletree Treasury Services Ltd	SGD200mn	3-year	2.888%
12-June-18	New Metro Global Ltd	USD200mn	3.75-year	8.0%

Source: OCBC, Bloomberg

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "**Relevant Materials**") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "**Relevant Entity**") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID**") and the EU's Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (together referred to as "**MiFID II**"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).