

Mar 27, 2018

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-3bps higher (with the exception of the 1Y trading 2bps lower) while the longer tenors traded 2-4bps higher.
- Flows in SGD corporates were moderate yesterday, with better buying in HSBC 4.7%-PERP.
- In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 124bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 376bps.
- 10Y UST yield rose 4bps to 2.85%, as fears of a growing trade war appeared to subside on the back of news that US and China hope to avert a trade war.

Credit Headlines

Olam International Ltd (“Olam”) | Issuer Profile: Neutral (5)

- Olam announced that it will be getting a 3-year revolving facility totalling USD500mn. The club loan is provided by 15 banks, and is linked to achieving sustainability targets. The facility was likely to be raised refinance an existing USD325mn revolving facility that is maturing in April this year. No impact on Olam's current Issuer Profile of Neutral (5)

Aspial Corp Ltd (“ACL”) | Issuer Profile: Negative (6)

- ACL announced an offer to exchange the existing ASPSP 5.5% '18s for a SGD-denominated 5.9% note due in 2021. Existing holders who accept the exchange will receive (1) an equivalent principal in the new '21s, (2) accrued interest in the existing '18s and (3) cash equal to an exchange premium. The exchange premium will be 50bps if instructions are submitted prior to 5pm on 9 Apr 2018, or 25bps thereafter if submitted prior to 12nn on 13 Apr 2018.
- We think it looks interesting to buy and hold the ASPSP 5.5% '18s at 4.8% YTM given that it has a high coupon with a short maturity. Following the offer to exchange, we believe that ACL is motivated to refinance the '18s and [we had discussed that ACL has the liquidity to do so](#) (even without the exchange).
- Conversely, we do not find the proposed '21s to be attractive with 5.9% coupon. Net gearing levels remains elevated at 3.35x as of 4Q2017. We prefer HTONSP 6.1% '20s with a YTM of ~5.96%.
- While a successful exchange will be positive to the credit profile by terming out the debt maturity, we continue to hold ACL at a Negative (6) Issuer Profile in view of the high net gearing levels.

Table 1: Key Financial Indicators

	27-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	80	12	13
iTraxx SovX APAC	13	1	1
iTraxx Japan	51	3	12
iTraxx Australia	72	15	12
CDX NA IG	66	11	12
CDX NA HY	107	0	-1
iTraxx Eur Main	62	12	8
iTraxx Eur XO	294	39	28
iTraxx Eur Snr Fin	69	16	14
iTraxx Sovx WE	19	0	-1
AUD/USD	0.775	0.86%	-0.51%
EUR/USD	1.245	1.71%	1.78%
USD/SGD	1.309	0.80%	1.20%
China 5Y CDS	67	9	11
Malaysia 5Y CDS	75	10	14
Indonesia 5Y CDS	106	13	20
Thailand 5Y CDS	47	8	6

	27-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	70.13	4.02%	5.25%
Gold Spot (\$/oz)	1,352.22	3.12%	2.57%
CRB	195.77	1.49%	0.19%
GSCI	453.42	2.75%	0.74%
VIX	21.03	10.57%	13.13%
CT10 (bp)	2.852%	-4.39	-4.14
USD Swap Spread 10Y (bp)	4	0	2
USD Swap Spread 30Y (bp)	-15	0	3
TED Spread (bp)	58	14	26
US Libor-OIS Spread (bp)	58	5	20
Euro Libor-OIS Spread (bp)	2	0	0
DJIA	24,203	-1.66%	-4.75%
SPX	2,659	-2.00%	-3.12%
MSCI Asiax	722	-2.86%	-1.98%
HSI	30,549	-3.06%	-2.30%
STI	3,412	-2.45%	-3.61%
KLCI	1,860	0.65%	-0.62%
JCI	6,200	-1.42%	-6.04%

Source: OCBC, Bloomberg

New issues

- Huaxin Pharmaceutical (HK) Co Ltd has priced a USD56mn 3-year re-tap of its USD150mn TAIHUA 6.8%'21 bond (guaranteed by Taizhou Huaxin Pharmaceutical Investment Co Ltd) at 100 + accrued interest.
- Agile Group Holdings Ltd has priced a USD100mn re-tap of its existing USD400mn AGILE 6.875% Perp NC5 at 100 + accrued interest, tightening from its initial price guidance of 7.056%.
- Car Inc has priced a CNH400mn 3NC2 bond at 6.95%, tightening from its initial price guidance of 6.95%-7%.

Table 2: Recent Asian New Issues

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
26-Mar-18	Car Inc	CNH400mn	3NC2	6.95%
26-Mar-18	Agile Group Holdings Ltd	USD100mn	AGILE 6.875% Perp NC5	100+accrued interest
26-Mar-18	Huaxin Pharmaceutical (HK) Co Ltd	USD56mn	TAIHUA 6.8%'21	100+accrued interest
23-Mar-18	Land Transport Authority of Singapore	SGD300mn	LTAZSP 3.35%'48	100+accrued interest
22-Mar-18	Blue Skyview Co Ltd	USD60mn	HONAIR 7.125%-Perp NC 2020	100+accrued interest
22-Mar-18	Jinshine International Co Ltd	USD400mn	3NP2	6.75%
22-Mar-18	Lenovo Group Ltd	USD750mn	5-year	CT5+215bps
22-Mar-18	Baidu Inc	USD500mn	10-year	CT10+160bps
22-Mar-18	Baidu Inc	USD1bn	5.5-year	CT5.5+125bps
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	3.261%
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

Source: OCBC, Bloomberg

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