

Aug 30, 2018

Credit Headlines: Hyflux Ltd, China Eastern Airlines Co., Ltd, Landesbank Baden-Württemberg

Market Commentary

- The SGD swap curve was range-bound yesterday, with swap rates trading 1-2bps higher across most tenors.
- Flows in SGD corporates were heavy yesterday, with better buying seen in OCBCSP 4.0%-PERPs, HSBC 4.7%-PERPs and MAPLSP 3.4%'26s and better selling seen in RCSTRU 3.05%'24s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 477bps.
- 10Y UST yields fell 1bps to 2.86% in the earlier part of the trading session as investors sought for safe-havens due to reports that Italy may ask the European Central Bank for aid. Yields subsequently rose 2bps to close at 2.88% on the back of increasing risk appetite after an up-ward revision of the US second-quarter gross domestic product.

Credit Headlines:

Hyflux Ltd (“HFY”) | Issuer Profile: Unrated

- HFY announced that the Securities Investors Association (Singapore) (“SIAS”) has established an informal steering committee for the bondholders. The establishment of an informal steering committee for the preference shareholders and the perpetual security holders is still in progress.
- The company has also announced that it will not be making any coupon/interest payments, distribution payments and/or dividend payments for any obligations that have fallen due or will fall due under the bonds, perpetual and preference shares. This includes the coupon/interest payment that had come due on 29 August 2018 for the HFYSP 4.2% '19s bonds. (Company)

China Eastern Airlines Co., Ltd (“CHIEAS”) | Issuer Profile: Neutral (4)

- The company's [plan to place out new equity shares via a private placement](#) (mainly to help fund fleet expansion) has been approved by the State-owned Assets Supervision and Administration Commission (“SASAC”). Shareholders' approval is still pending. CHIEAS intends to place up 1.6bn new A-shares and 517.7mn new H-shares, amounting up to RMB11.8bn and HKD3.55bn respectively and added that the China Structural Reform Fund Corporation will subscribe for up to RMB2.0bn in new A-shares.
- We will review CHIEAS when the 1H2018 results are released. (Company, OCBC)

Credit Headlines (cont'd):

Landesbank Baden-Württemberg ("LBBW") | Issuer Profile: Neutral (4)

- LBBW announced its 1H2018 results with net consolidated profit up 2.3% y/y to EUR206mn. Total operating income was down 4.8% y/y as net interest income was stable y/y (loans growth mitigated on-going low interest rates and competition) but net fee and commission income fell 3.0% y/y and net gains on remeasurement and disposal fell 30% y/y.
- Administrative expenses remain contained (-2.1% y/y) but the main driver of net consolidated profit growth was the absence of restructuring expenses and guarantee commission fees for the State of Baden-Württemberg following the sale of the Sealink portfolio.
- Loans growth was concentrated in LBBW's Corporate Customers' segment while higher volumes were also seen in Real Estate/Project Finance. Both segments are part of LBBW's new reporting segment model. Business growth in the Private Customers/Savings Banks segment was also solid and contributed to this segment generating a marginal profit in 1H2018 (EUR7mn) after a loss in 1H2017 (-EUR15mn).
- Previously mentioned loans growth translated into a 4.5% q/q rise in risk weighted assets and together with first time adoption of IFRS9 (which resulted in a reduction in equity), LBBW's capital ratios weakened with LBBW's fully loaded CET1/CAR capital ratios at 14.9%/21.5% against 15.7%/22.2% as at 31 Dec 2017. This remains above regulatory minimum capital requirements, which have increased in line with the EU's Capital Requirements Regulations, which are set annually by the ECB on the basis of the Supervisory Review and Evaluation Process (SREP) with LBBW's phased in CET1/CAR 2018 capital requirement of 8.80%/12.30%. (OCBC, Company)

Table 1: Key Financial Indicators

	30-Aug	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	79	-1	0
iTraxx SovX APAC	10	0	-1
iTraxx Japan	54	-2	-2
iTraxx Australia	72	-3	-2
CDX NA IG	58	-2	-1
CDX NA HY	107	0	0
iTraxx Eur Main	66	-1	3
iTraxx Eur XO	288	-4	0
iTraxx Eur Snr Fin	81	-2	4
iTraxx Sovx WE	28	0	3
AUD/USD	0.731	0.81%	-1.35%
EUR/USD	1.171	1.43%	-0.01%
USD/SGD	1.365	0.60%	-0.31%
China 5Y CDS	56	-3	-2
Malaysia 5Y CDS	88	-1	6
Indonesia 5Y CDS	118	-3	8
Thailand 5Y CDS	41	-1	-2

	30-Aug	1W chg	1M chg
Brent Crude Spot (\$/bbl)	77.26	3.39%	3.05%
Gold Spot (\$/oz)	1,205.54	1.69%	-1.30%
CRB	192.96	0.96%	-1.43%
GSCI	467.99	1.66%	-0.30%
VIX	12.25	0.00%	-14.10%
CT10 (bp)	2.879%	5.24	-9.43
USD Swap Spread 10Y (bp)	8	1	2
USD Swap Spread 30Y (bp)	-4	1	1
TED Spread (bp)	21	-4	-15
US Libor-OIS Spread (bp)	22	-1	-11
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	26,125	1.52%	3.23%
SPX	2,914	1.82%	3.98%
MSCI Asiax	673	2.07%	-0.37%
HSI	28,416	1.75%	-1.10%
STI	3,244	1.38%	-1.91%
KLCI	1,821	1.25%	2.85%
JCI	6,065	2.03%	0.62%

New issues

- China Aoyuan Property Group Ltd has priced a deal across two tranches with the USD225mn 3NCNP2 bond at 7.95%, tightening from its initial price guidance of 8.25% and the SGD100mn 3NCNP2 bond at 7.15%, tightening from its initial price guidance of 7.3%.
- Asahi Mutual Life Insurance Co Ltd has priced a USD430mn Perp NC5 bond at 6.5%, tightening from its initial price guidance of 6.875%.
- Chalco Hong Kong Investment Co Ltd has scheduled for investor calls on 29 Aug for its potential USD bond issuance (guaranteed by Chalco HongKong Ltd, Keepwell provider: Aluminium Corp of China Ltd).
- Toyota Tsusho Corp has scheduled for investor meetings from 4 Sept for its potential 5-year USD bond issuance.
- Capital Environment Holdings Ltd has scheduled for investor meetings from 30 Aug for its potential USD green bond issuance (Keepwell provider: Beijing Capital Group Co Ltd).

Date	Issuer	Size	Tenor	Pricing
29-Aug-18	China Aoyuan Property Group Ltd	USD225mn	3NCNP2	7.95%
29-Aug-18	China Aoyuan Property Group Ltd	SGD100mn	3NCNP2	7.15%
29-Aug-18	Asahi Mutual Life Insurance Co Ltd	USD430mn	Perp NC5	6.5%
28-Aug-18	Lingang Wings Inc	USD300mn	3-year	4.88%
28-Aug-18	Huafa Group 2018 I Company Ltd	USD500mn	3-year	5.4%
28-Aug-18	Nan Fung Treasury Ltd	USD500mn	10-year	CT10+227.5bps
28-Aug-18	Bank of the Philippine Islands	USD600mn	5-year	CT5+160bps
28-Aug-18	HSBC Institutional Trust Services (Singapore) Ltd (in its capacity as trustee-manger of RCS Trust)	SGD150mn	6-year	3.05%
23-Aug-18	Redco Properties Group Ltd	USD200mn	2-year	11.0%
23-Aug-18	Mapletree Treasury Services Ltd	SGD300m	8-year	3.4%
23-Aug-18	Perennial Real Estate Holdings Ltd	SGD10mn	PREHSP 5.95%'20s	5.95%
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%

Source: OCBC, Bloomberg

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