

June 25, 2018

**Credit Headlines:** CWT International Limited, CITIC Envirotech Ltd

## **Market Commentary**

- The SGD swap curve steepened last Friday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded little changed.
- Flows in SGD corporates were light last Friday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 142bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 469bps.
- 10Y UST yields traded little changed at 2.89% as risk appetite improved mildly with shares on Wall Street higher, but worries over a trade conflict with China kept investors cautious.

## **Credit Headlines:**

**CWT International Limited (“CWTI”) | Issuer Profile: Negative (6) and CACHE Logistics Trust (“CACHE”) | Issuer Profile: Unrated**

- ARA Asset Management Limited (“ARA”) has announced the proposed acquisition of all of CWT Pte Limited’s (“CWT SG”) shares in the CACHE REIT Manager and the property manager of CACHE. CWT SG (a wholly-owned subsidiary of Hong Kong listed CWTI) owns 40% of the CACHE REIT Manager and 60% stake of the property manager (collectively, “CACHE Managers”). Post-acquisition, ARA would gain full control over the CACHE Managers. The acquisition cost for the transaction was not disclosed by CACHE though CWTI had shared more details.
- As at 31 March 2018, CACHE’s total assets were SGD1.4bn. ARA would acquire 40%-stake in the CACHE REIT Manager for HKD168.5mn (~SGD29.2mn) and 60%-stake in the property manager for HKD131.5mn (~SGD22.8mn).
- In our view, CWTI needs to generate liquidity to help fund short term debt coming due. As of report date, CWTI has not publicly announced if it has refinanced the acquisition debt for the funding of CWT SG in May 2018 (amounting to SGD300mn). Another SGD261mn is coming due in September 2018. (OCBC, Company)

**CITIC Envirotech Ltd (“CEL”) | Issuer Profile: Under review**

- CEL announced that it has been awarded an engineering, procurement and construction (“EPC”) contract on ecological restoration with a contract amount of ~RMB2.5bn (SGD515mn) in Meigu County, Sichuan Province, China.
- CEL will undertake the design and construction of essential housing and infrastructure including water supply, wastewater treatment, garbage disposal and other auxiliary facilities in 11 newly designated residential areas. This is CEL’s first environmental and ecological restoration project win. The project will commence in 4Q2018 and is expected to complete by end-2020. CEL would recognise revenue and cash flow during this period.
- We last held CEL’s issuer profile at Neutral (4) and are currently reviewing its issuer profile on the back of its recent project-related announcements. (OCBC, Company)

**Table 1: Key Financial Indicators**

	25-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	80	1	4
iTraxx SovX APAC	14	0	1
iTraxx Japan	53	1	6
iTraxx Australia	72	2	6
CDX NA IG	64	3	1
CDX NA HY	107	0	0
iTraxx Eur Main	70	2	5
iTraxx Eur XO	305	7	6
iTraxx Eur Snr Fin	82	4	7
iTraxx Sovx WE	25	2	0
AUD/USD	0.742	0.00%	-1.66%
EUR/USD	1.165	0.26%	0.02%
USD/SGD	1.362	-0.81%	-1.50%
China 5Y CDS	58	0	2
Malaysia 5Y CDS	102	0	17
Indonesia 5Y CDS	131	-3	14
Thailand 5Y CDS	45	1	1

	25-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	74.09	-1.66%	-3.07%
Gold Spot (\$/oz)	1,268.74	-0.75%	-2.57%
CRB	197.53	0.66%	-2.86%
GSCI	471.45	0.87%	-2.20%
VIX	13.77	14.94%	4.16%
CT10 (bp)	2.873%	-4.39	-5.83
USD Swap Spread 10Y (bp)	7	0	3
USD Swap Spread 30Y (bp)	-8	-2	2
TED Spread (bp)	43	2	2
US Libor-OIS Spread (bp)	40	-1	-3
Euro Libor-OIS Spread (bp)	3	0	-1
DJIA	24,581	-2.03%	-0.70%
SPX	2,755	-0.89%	1.23%
MSCI Asiax	689	-2.44%	-3.74%
HSI	29,156	-3.80%	-4.68%
STI	3,265	-1.79%	-7.08%
KLCI	1,695	-2.80%	-5.72%
JCI	5,842	-4.33%	-2.24%

## New issues

- Bank of Philippine Islands has hired banks for its potential USD2bn medium-term note program.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
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](mailto:wongVKAM@ocbc.com)

**Ezien Hoo, CFA**

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

**Wong Hong Wei**

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

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