

July 10, 2019

Credit Headlines: CWT International Ltd, Mapletree Industrial Trust

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 1-3bps higher, while the belly and longer tenors traded 3-4bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 129bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 461bps.
- Flows in SGD corporates were heavy, with flows in UBS 5.875%-PERPs, SOCGEN 6.125%-PERPs, MAPLSP 3.95%-PERPs and WINGTA 4.48%-PERPs.
- 10Y USTs gained 2bps to 2.07% on muted trading, as investors await the release of the Federal Reserve's June meeting minutes. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread narrowing to -17bps.

Credit Headlines

CWT International Ltd ("CWTI") | Issuer Profile: Unrated

- On 3 April 2019, CWTI defaulted payment of interest and fees amounting to HKD63mn and as a result of the default, the lenders of the facility have demanded immediate payment of the outstanding principal, interest and fees totalling not less than ~HKD1.46bn and declared that the security in relation to this facility has become enforceable.
- On 9 April 2019, CWTI announced that it [is still negotiating with a third party in relation to a refinancing proposal](#), which if successfully entered into will be used to repay all the outstanding amounts under the facility. Simultaneously, CWTI is also continuing its discussions with the lenders under the defaulted facility on devising other viable and acceptable arrangements. Assuming that the refinancing is successful, upon settlement, the charged assets will be released back to CWTI subject to terms of the subscription agreement.
- CWTI is also negotiating (1) with the lender of its UK investment property lender not to exercise its rights to accelerate payment (a cross-default had been triggered due to the default on the HKD1.46bn facility) and (2) with financiers for revolving trade facilities to allow the company to carry out its commodity marketing business (ie: held by CWT Pte Ltd ("CWT SG"))
- CWTI intends to dispose its UK investment property, certain properties in the USA (ie: golf courses) and certain golf courses in China, certain other businesses though CWTI does not intend to dispose businesses in relation to the provision of logistics services. In our view, this signals CWTI's intention to sell CWT SG in piecemeal though wishes to retain the part that is related to logistics services. We continue monitoring the situation. (Company, OCBC)

Credit Headlines (cont'd)

Mapletree Industrial Trust ("MINT") | Issuer Profile: Neutral (3)

- MINT announced that it will be redeveloping the Kolam Ayer 2 Cluster (at Kallang Way, Singapore) into a high-tech industrial precinct at a total project cost of ~SGD263mn. This includes the book value of Kolam Ayer 2 Cluster of SGD70.2mn as at 31 March 2019 and in our view, this means the investment outlay is ~SGD192.8mn.
- The Kolam Ayer 2 Cluster is currently comprised of flatted factories, with a remaining underlying land lease term of 32 years.
- MINT has entered into an agreement with a Germany-based global medical device company to develop and lease a build-to-suit facility at the existing site, with this anchor tenant accounting for ~24.4% of the enlarged gross floor area upon completion of the proposed redevelopment.
- The anchor tenant is committed to lease the facility for an initial lease term of 15 years, with option to renew for two additional five year terms (15 + 5 + 5). The proposed redevelopment is targeted for completion in the second half of 2022.
- We consider the remaining space as speculative as no tenants have signed up for it yet though overall we think this is a right direction for MINT given the limiting nature of flatted factories in attracting new industry types. Existing tenants who would be affected by the redevelopment will be offered alternative space within MINT's portfolio.
- Assuming the proposed redevelopment is fully debt funded, MINT's aggregate leverage is expected to increase to 36.0% from 33.8% as at 31 March 2019. (Company, OCBC)

Table 1: Key Financial Indicators

	10-Jul	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	65	3	-7
iTraxx SovX APAC	41	2	-6
iTraxx Japan	60	2	-6
iTraxx Australia	65	5	-5
CDX NA IG	54	2	-6
CDX NA HY	107	-1	1
iTraxx Eur Main	51	1	-10
iTraxx Eur XO	248	9	-22
iTraxx Eur Snr Fin	63	4	-14
iTraxx Sovx WE	16	1	-3
AUD/USD	0.692	-1.51%	-0.55%
EUR/USD	1.120	-0.67%	-0.96%
USD/SGD	1.362	-0.42%	0.33%
China 5Y CDS	43	1	-8
Malaysia 5Y CDS	53	4	-13
Indonesia 5Y CDS	88	4	-12
Thailand 5Y CDS	35	0	0

	10-Jul	1W chg	1M chg
Brent Crude Spot (\$/bbl)	64.86	1.63%	4.13%
Gold Spot (\$/oz)	1,393.10	-1.81%	4.90%
CRB	180.71	-0.24%	3.81%
GSCI	422.35	-0.73%	4.11%
VIX	14.09	0.21%	-11.61%
CT10 (bp)	2.079%	12.89	-6.97
USD Swap Spread 10Y (bp)	-6	-2	-4
USD Swap Spread 30Y (bp)	-32	0	-5
US Libor-OIS Spread (bp)	18	0	0
Euro Libor-OIS Spread (bp)	5	-1	1
DJIA	26,783	0.25%	2.77%
SPX	2,980	0.52%	3.22%
MSCI Asiax	642	-2.23%	1.92%
HSI	28,116	-2.56%	1.95%
STI	3,352	-0.46%	5.15%
KLCI	1,683	-0.42%	1.66%
JCI	6,388	0.05%	1.57%

New issues:

- Bluestar Finance Holdings Limited (Guarantor: China National Bluestar (Group) Co., Ltd) has priced a USD700mn 5-year bond at T+157.5bps, tightening from IPT of T+185bps area.
- Haitong International Securities Group Limited has priced a USD700mn 5-year bond at T+155bps, tightening from IPT of T+185bps area.
- Korea Gas Corporation has priced a USD500mn 10-year bond at T+92.5bps, tightening from IPT of T+120bps area.
- Logan Property Holdings Company Limited has priced a USD400mn 4NC2 bond at 6.5%, tightening from IPT of 7.0% area.
- Mizuho Financial Group Inc has priced a USD2.75bn deal in 4 tranches: a USD1.0bn 4NC3 FRN at T+85bps (tightening from IPT of T+100-105bps area), a USD500mn 4NC3 FRN at 3-month US LIBOR+84bps (in line with IPT), a USD500mn 6NC5 FRN at T+95bps (tightening from IPT of T+115bps area), and a USD750mn 11NC10 FRN at T+108bps (tightening from IPT of T+130bps area).
- Times China Holdings Limited has priced a USD400mn 4NC3 bond at 6.75%, tightening from IPT of 7.375% area.
- Housing & Development Board has priced a SGD600mn 10-year bond at 2.27%.

Date		Size	Tenor	Pricing
09-Jul-19	Bluestar Finance Holdings Limited	USD700mn	5-year	T+157.5bps
09-Jul-19	Haitong International Securities Group Limited	USD700mn	5-year	T+155bps
09-Jul-19	Korea Gas Corporation	USD500mn	10-year	T+92.5bps
09-Jul-19	Logan Property Holdings Company Limited	USD400mn	4NC2	6.5%
09-Jul-19	Mizuho Financial Group Inc	USD1.0bn USD500mn USD500mn USD750mn	4NC3-FRN 4NC3-FRN 6NC5-FRN 11NC10 FRN	T+85bps 3M-US LIBOR+84bps T+95bps T+108bps
09-Jul-19	Times China Holdings Limited	USD400mn	4NC3	6.75%
09-Jul-19	Housing & Development Board	SGD600mn	10-year	2.27%
08-Jul-19	Eastern Creation II Investment Holdings Ltd	USD200mn	3-year	T+102bps,
08-Jul-19	China Overseas Finance (Cayman) VIII Limited	USD450mn	10-year	T+145bps
08-Jul-19	Chong Hing Bank Limited	USD400mn	NC5-Perpetual	5.7%
08-Jul-19	POSCO	USD500mn	5-year	T+105bps

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