

Jan 11, 2019

Credit Headlines: Oxley Holdings Ltd, OUE Limited

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 1-3bps lower while the longer tenors traded 4-5bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 162bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 597bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in UBS 5.875%-PERPs, OCBCSP 3.8%-PERPs, PREHSP 5.95%'20s and HSBC 5.0%-PERPs.
- 10Y UST yields fell 3bps earlier in the day along with weakening stocks prices as concrete details failed to materialise out of the ongoing US China trade deal. In the later part of the day, yields rose 7 bps to close at 2.74%, after the US Treasury Department auctioned USD16bn in 30-year bonds in a reopening and remarks by Fed Chairman Powell on reducing the size of the US central bank's portfolio of bonds owned.

Credit Headlines:

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Negative (6)

- OHL is looking to sell its Stevens Road hotel (254-room Novotel Singapore and 518-room Mercure Singapore) for SGD950mn and has accepted a letter of intent from the buyer. According to Business Times, the buyer is Indonesia magnate Tahir.
- OHL will receive SGD9.5mn as a non-refundable deposit and the buyer will be entitled to carry out due diligence at the property up to 15 Apr 2019.
- If the sale takes place, this will be a significant credit positive for OHL as net gearing should improve to 1.80x (1QFY2019: 2.45x). We think this move is good to pre-empt any liquidity crunch OHL may have when it comes to refinancing in the future. Also, as we opined that the [SGD property market outlook looks uncertain](#), the sale will allow OHL more room to manoeuvre in case units do not move. (Company, OCBC)

OUE Limited (“OUE”) | Issuer Profile: Neutral (4)

- OUE's 64%-subsidiary OUE Lippo Healthcare Limited (“OUE-LH”) announced that its indirect wholly-owned subsidiaries have entered into sale and purchase agreement with PT Waluya Graha Loka for the purchase of 40%-stake in Yoma Siloam Hospital Pun Hlaing Limited (“YSHPH”) and 35%-stake in Pun Hlaing International Hospital Limited (“PHIH”). (1) YSHPH operates three hospitals, one medical centre and two clinics in Myanmar and is 60:40 owned by Serge Pun-controlled First Myanmar Investment Company Limited (“First Myanmar”) and an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk (“LK”) (2) PHIH owns and/or holds the leases of the land and properties on which YSHPH operates. First Myanmar owns 60% of PHCC while LK holds 35% stake, the remaining 5% is owned by Pun Hlaing Capital Co. Ltd. The unaudited loss for the 7 months to end-October 2018 was USD2.6mn (~SGD3.5mn) for YSHPH while the unaudited loss before tax for PHIH during the same period was USD72,000 (~SGD0.1mn).
- The total consideration is USD19.5mn (~SGD26.5mn) and will be paid in cash at completion. The deal is subject to approval of shareholders at OUE-LH. As at 30 September 2018, OUE-LH's cash balance was SGD64.1mn. We see this transaction as credit neutral to OUE given the small scale of the transaction.(Company, OCBC)

Table 1: Key Financial Indicators

	11-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	90	-6	-6
iTraxx SovX APAC	67	-3	-3
iTraxx Japan	78	-10	-2
iTraxx Australia	90	-7	0
CDX NA IG	77	-7	-3
CDX NA HY	104	1	1
iTraxx Eur Main	82	-6	-4
iTraxx Eur XO	337	-20	-10
iTraxx Eur Snr Fin	107	-5	-2
iTraxx Sovx WE	26	0	0
AUD/USD	0.719	1.05%	-0.25%
EUR/USD	1.152	1.08%	1.78%
USD/SGD	1.353	0.49%	1.56%
China 5Y CDS	63	-3	-6
Malaysia 5Y CDS	98	-10	-14
Indonesia 5Y CDS	128	-8	-13
Thailand 5Y CDS	44	0	0

	11-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	61.29	7.41%	1.81%
Gold Spot (\$/oz)	1,290.16	0.32%	3.77%
CRB	178.60	4.11%	-1.76%
GSCI	405.77	6.45%	-0.92%
VIX	19.5	-23.38%	-10.39%
CT10 (bp)	2.724%	5.65	-15.48
USD Swap Spread 10Y (bp)	2	-1	-1
USD Swap Spread 30Y (bp)	-19	-3	-5
TED Spread (bp)	36	-2	-2
US Libor-OIS Spread (bp)	38	-2	-2
Euro Libor-OIS Spread (bp)	4	-1	0
DJIA	24,002	5.80%	-1.51%
SPX	2,597	6.08%	-1.52%
MSCI Asiax	610	3.69%	2.22%
HSI	26,624	3.89%	3.31%
STI	3,202	4.67%	4.67%
KLCI	1,679	0.57%	1.61%
JCI	6,353	1.24%	4.54%

New issues

- Shanghai Commercial Bank Ltd has priced a USD300mn 10NC5 bond (issue: USD Basel III Compliant Tier 2 Subordinated Notes) at T+250bps, tightening from IPT of T+275bps.
- Indian Oil Corp has priced a USD900mn 5-year bond at T+222.5bps, tightening from IPT of T+250bps.
- Sunac China Holdings Ltd has priced a USD600mn 2-year bond at 8.375%, tightening from IPT of 8.875%.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
10-Jan-19	Sunac China Holdings Ltd	USD600mn	2-year	8.375%
10-Jan-19	Indian Oil Corp	USD900mn	5-year	T+222.5bps
10-Jan-19	Shanghai Commercial Bank Ltd	USD300mn	10NC5 Tier 2	T+250bps
9-Jan-19	RKPF Overseas 2019 (B) Ltd (Road King Infrastructure Ltd)	USD400mn	2-year, 3-month	7.75%
8-Jan-19	Dah Sing Bank Ltd	USD225mn	10NC5 Tier 2	T+255bps
8-Jan-19	Coastal Emerald Ltd (China Shandong Hi-Speed Financial Group Ltd)	USD550mn	363-day	5.95%
8-Jan-19	Zhenro Properties Group Ltd	USD200mn	363-day	10.75%
8-Jan-19	China SCE Group Holdings Ltd	USD500mn	2-year	8.75%
7-Jan-19	Westpac Banking Corp	USD2bn	5-year	MS+58bps
7-Jan-19	Republic of Philippines	USD1.5bn	10-year	T+110bps
7-Jan-19	Powerlong Real Estate Holdings Ltd	USD200mn	2-year	9.5%
7-Jan-19	Guotai Junan International Holdings Ltd	USD200mn	3-year	T+185bps
7-Jan-19	New Metro Global Ltd (Seazen Holdings Co Ltd)	USD300mn	363-day	6.93%
3-Jan-19	China Aoyuan Property Group Ltd	USD275mn	CAPG 7.95%'21s	7.939%
28-Dec-18	Macrolink Global Development Ltd	USD168mn	2-year	9.5%

Source: OCBC, Bloomberg

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