

Market Commentary

- The SGD swap curve was mostly unchanged, with only the 1-year swaps trading 1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 541bps.
- Flows in SGD corporates were heavy, with large ticket flows in UOBSP 3.58%-PERPs. We also saw flows in ESRCA 6.75%'22s, CS 5.625%-PERPs, STANLN 5.375%-PERPs, FPLSP 4.15%'27s, SOCGEN 6.125%-PERPs, CENCHI 6.25%'20s, FPLSP 4.98%-PERPs, GUOLSP 4.6%-PERPs and CEL 3.9%-PERPs.
- 10Y USTs fell 8bps to close at 1.65%, due to US-China trade concerns and global political tensions in Hong Kong and Argentina boosting risk-off sentiment and supporting demand for safe-haven assets. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -32bps.

Credit Research

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Credit Summary:

• **[Wharf Holdings Ltd](#) | Neutral (3):** WHARF reported half year 2019 results. Revenue rose by 3% y/y to HKD8.1bn, underlying net profit dropped by 12% y/y to HKD2.2bn. Net debt was reduced by 4% y/y to HKD24.6bn from HKD25.6bn. WHARF continues to have healthy liquidity with more than enough cash (HKD19.0bn) to pay off its short term debt (HKD9.5bn). We continue to maintain WHARF at Neutral (3) issuer profile.

• **[Wheelock & Co Ltd](#) | Positive (2):** WHEELK reported its half year 2019 results. Group revenue rose by 24% y/y to HKD21.7bn, Wheelock-Own's revenue was HKD4.6bn, up by HKD3.7bn from the same period last year. For Development Properties ("DP") in Hong Kong, residential contracted sales amounted to HKD16.2bn with a total of 1,282 units sold or presold. Net order book grew to HKD34.9bn, from HKD26.7bn at end 2018. WHEELK's net debt was higher by 8% y/y to HKD100.7bn as at 30 June 2019, while net debt to total equity was 25.0%

• **[City Developments Ltd](#) | Neutral (3):** CDL reported 2Q2019 results. Revenue fell 37.5% y/y to SGD850.4mn, with revenue from property development falling to SGD286.5mn while Investment Properties revenue rose 23.3% y/y to SGD104.3mn. As a result of lower revenue, reported EBITDA fell 28.3% y/y to SGD304mn, with profit before tax falling 34.2% y/y to SGD224.7mn. Net gearing increased q/q to 44.5%. Management is confident of completing the acquisition of Millennium & Copthorne. [We expect net gearing of CDL to ~60%](#) if the acquisition is successful. We think CDL may continue to acquire and gear up. That said, we remain comfortable, noting its solid interest cover of 14.4x for now.

Asian Credit Daily**Credit Headlines****Wharf Holdings Ltd (“WHARF”) | Neutral (3)**

- WHARF reported half year 2019 results. Revenue rose by 3% y/y to HKD8.1bn, largely due to higher investment income (including dividends) as the 21% y/y increase in revenue from Investment Properties (“IP”) was more than offset by a 21% y/y dip in Development Properties (“DP”). IP’s growth came mainly from Mainland China while the dip in DP was due to fewer Mainland project completions.
- Underlying net profit (excludes revaluation gains of IP, mark-to-market and exchange gain/loss on financial instruments and exceptional items) dropped by 12% y/y to HKD2.2bn. The decline is largely due to the DP and logistics segments which declined by 27% y/y and 22% y/y respectively, even though IP gained 38% y/y. DP continue to account for a large portion of WHARF even though we see the ratios drifting towards IP at DP vs IP at 51% vs 33% (DP vs IP Full Year 2018: 71% vs 16%, Full Year 2017: 85% vs 10%).
- Net debt was reduced by 4% y/y to HKD24.6bn from HKD25.6bn leading to net gearing ratio of 16.9%. Excluding debts that are non-resource debts to WHARF and its subsidiaries, net debt is HKD18.4bn. WHARF continues to have healthy liquidity with more than enough cash (HKD19.0bn) to pay off its short term debt (HKD9.5bn).
- WHARF has not made any new land purchase in China over the half year, as the “primary sales pricing is effectively controlled by government which seriously affects future project profitability”. We continue to maintain WHARF at Neutral (3) issuer profile. (Company, OCBC)

Wheelock & Co Ltd (“WHEELK”) | Issuer Profile: Positive (2)

- WHEELK reported its half year 2019 results. Group revenue rose by 24% y/y to HKD21.7bn, due to Investment Properties (“IP”) in Hong Kong (Harbour City) and Mainland China (Chengdu International Finance Square “IFS” and Changsha IFS).
- Wheelock-Own’s revenue was HKD4.6bn, up by HKD3.7bn from the same period last year due to the gain on disposal of the O-South malls and higher sales recognition from development property projects.
- For Development Properties (“DP”) in Hong Kong, residential contracted sales amounted to HKD16.2bn with a total of 1,282 units sold or presold. Though down from HKD23.4bn recorded in 1H2018, we note that 1H2018 figure was record high.
- Net order book (i.e. presold but contracted sales not yet recognised) grew to HKD34.9bn, from HKD26.7bn at end 2018. This increase was mainly driven by successful launches of MONTARA and GRAND MONTARA.
- WHEELK’s net debt was higher by 8% y/y to HKD100.7bn as at 30 June 2019, while net debt to total equity was 25.0% (2018: 23.9%). Excluding the debt and cash of other groups which are non-recourse to WHEELK, we find Wheelock-Own’s net debt to total equity at 15.8%, up from 13% at end last year.
- As at 30 June 2019, the land back under management was 6.3mn sq ft. Taking into account the Kai Tak residential plot subsequently acquired in July 2019, the land back would be 6.7mn sq ft. (Company, OCBC)

Asian Credit Daily**Credit Headlines (cont'd)****City Developments Ltd (“CDL”) | Issuer Profile: Neutral (3)**

- CDL reported 2Q2019 results. Revenue fell 37.5% y/y to SGD850.4mn, which CDL attributes to the timing of profit recognition of development projects, with revenue from property development falling to SGD286.5mn (2Q2018: SGD818.7mn). Meanwhile, Hotel Operations remained largely stable (+1.0% y/y to SGD425.1mn) while Investment Properties revenue rose 23.3% y/y to SGD104.3mn – the large increase is due to full quarter contributions from Aldgate House (London), 125 Old Broad Street (London) and Central Mall Office Tower which were acquired in 2H2018.
- As a result of lower revenue, reported EBITDA fell 28.3% y/y to SGD304mn, with profit before tax falling 34.2% y/y to SGD224.7mn.
- Net gearing increased q/q to 44.5% (1Q2019: 36.2%), which is [in-line with our expectations](#). The increase is due to increase in debt, mainly from SGD378.9mn cash outflow from subscription of USD230mn bond issued by Sincere Property Group and series 2 of PCCS issued by First Sponsor Group Ltd. The increase in debt is also due to cash outflow of SGD63.9mn to acquire the remaining non-residential components of Profit Participation Securities 1 (PPS), which comprises W Singapore and Quayside Isle. In addition, a cash outflow of SGD242.0mn was made to acquire Liang Court retail mall (in as JV) and land site at Sims Drive. Other cash outflows include the SGD59.8mn acquisition of units in IREIT Global and SGD15.3mn loan to Sincere Property Group.
- Management is confident of completing the acquisition of Millennium & Copthorne. [We expect net gearing of CDL to ~60%](#) if the acquisition is successful. Management guided that a comfortable net gearing ratio (including fair value gains of investment properties) will be 50%-60%, which we work out to ~69%-83% net gearing without including the fair value gains of investment properties. With CDL looking to grow its recurring EBITDA to SGD900mn p.a. by 2028 (2018: SGD530mn), we think CDL may continue to acquire and gear up. That said, we remain comfortable, noting its solid interest cover of 14.4x for now. (Company, OCBC)

Asian Credit Daily

Key Market Movements

	13-Aug	1W chg (bps)	1M chg (bps)		13-Aug	1W chg	1M chg
iTraxx Asiax IG	70	0	7	Brent Crude Spot (\$/bbl)	58.50	-0.75%	-12.32%
iTraxx SovX APAC	45	1	5	Gold Spot (\$/oz)	1,510.92	2.48%	6.84%
iTraxx Japan	63	0	4	CRB	170.62	0.05%	-7.45%
iTraxx Australia	71	1	9	GSCI	397.15	-1.18%	-8.62%
CDX NA IG	62	2	8	VIX	21.09	-14.23%	70.22%
CDX NA HY	106	-1	-2	CT10 (bp)	1.647%	-5.52	-47.48
iTraxx Eur Main	58	2	10				
				AUD/USD	0.676	-0.07%	-4.02%
iTraxx Eur XO	289	8	46	EUR/USD	1.121	0.06%	-0.46%
iTraxx Eur Snr Fin	74	5	16	USD/SGD	1.387	-0.38%	-2.21%
iTraxx Sovx WE	19	3	4				
				DJIA	25,898	0.70%	-5.25%
USD Swap Spread 10Y	-11	-1	-5	SPX	2,883	1.35%	-4.34%
USD Swap Spread 30Y	-40	-1	-6	MSCI Asiax	601	0.50%	-7.32%
US Libor-OIS Spread	28	4	5	HSI	25,825	-1.25%	-9.30%
Euro Libor-OIS Spread	5	0	0	STI	3,169	-3.73%	-4.82%
China 5Y CDS	54	2	12	KLCI	1,615	-0.72%	-3.26%
Malaysia 5Y CDS	61	1	10	JCI	6,251	1.21%	-1.93%
Indonesia 5Y CDS	99	3	14				
Thailand 5Y CDS	33	1	1				

Source: Bloomberg

New Issues

- Excellence Commercial Management Ltd (Guarantor: Excellence Commercial Properties Co., Ltd) has priced a USD150mn 3-year bond at 6.8%, tightening from IPT at 7.2% area.
- Dongxing Voyage Co. Ltd (Guarantor: Dongxing Securities Co., Ltd) has priced a USD400mn 5-year bond at T+180bps, tightening from IPT at T+210bps area.
- Changde Economic Construction Investment Group Co., Ltd has priced a USD200mn 3-year bond at 6.6%, tightening from IPT at 6.8% area.

Date	Issuer	Size	Tenor	Pricing
9-Aug-19	Excellence Commercial Management Ltd	USD150mn	3-year	6.8%
8-Aug-19	Dongxing Voyage Co. Ltd	USD400mn	5-year	T+180bps
8-Aug-19	Changde Economic Construction Investment Group Co., Ltd	USD200mn	3-year	6.6%
1-Aug-19	Central China Real Estate Ltd	USD300mn	3NC2	7.25%
1-Aug-19	Sinopec Group Overseas Development (2018) Ltd	USD800mn USD700mn USD500mn	5-year 10-year 30-year	T+88bps T+110bps 3.68%
31-Jul-19	Fantasia Holdings Group Company Ltd	USD100mn	FTHDGR 11.75%'22s	12.4%
30-Jul-19	China Aoyuan Group Ltd	USD250mn	CAPG 7.95%'23s	6.5%
30-Jul-19	Dexin China Holdings Company Ltd	USD200mn	2-year	14.0%
30-Jul-19	Lotte Property & Development Co., Ltd	USD300mn	3-year FRN	3M-US LIBOR+77.5bps
30-Jul-19	Korea Land & Housing Corporation	USD100mn USD100mn	3-year FRN 2-year FRN	3M-US LIBOR+66bps 3M-US LIBOR+47bps
30-Jul-19	Emirates NBD PJSC	SGD20mn	7-year	3.06%
29-Jul-19	Shinhan Financial Group Co Ltd	USD500mn	10.5NC5	T+150bps
29-Jul-19	Sino-Ocean Land Treasure IV Ltd	USD600mn	10-year	T+287.5bps
29-Jul-19	Malayan Banking Berhad	USD850mn	5-year FRN	3M-US LIBOR+80bps

Source: OCBC, Bloomberg

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