

Apr 16, 2019

**Credit Headlines:** Hyflux Ltd, CapitaLand Ltd, Ascott Residence Trust, CWT International Ltd, Mapletree Logistics Trust

## **Market Commentary**

- The SGD swap curve steepened yesterday, with the shorter tenors trading within 2bps higher while the belly and longer tenors traded 3-4bps higher (with the exception of the 12-year swap rate at 6bps higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little change at 133bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 467bps.
- Flows in SGD corporates were heavy, with flows in FPLSP 4.98%-PERPs, ESRCAY 6.75%'22s, DBSSP 3.98%-PERPs, LOGPH 6.125%'21s, CELSP 3.9%-PERPs, FPLSP 4.38%-PERPs, TSHSP 6.0%'20s, ARASP 5.65%-PERPs and ARASP 5.2%-PERPs.
- 10Y UST yields fell 1bps to 2.55%, with volatile range-bound trading as investors await US data on retail sales, industrial production and housing data in a holiday-shortened week.

## **Credit Headlines**

### **Hyflux Ltd (“HYF”) | Issuer Profile: Unrated**

- HYF announced that SM Investments Pte Ltd (“SMI”, the original strategic investor) has denied that it has repudiated the restructuring agreement. HYF has filed a writ of summons with the court to commence legal action against SMI for the repudiation and to claim the SGD38.9mn in deposit placed into escrow.
- Additionally, HYF has also appointed nTan Corporate Advisory Pte Ltd (“nTan”) as an additional advisor in its in-court restructuring process. nTan is helmed by Mr Nicky Tan, a veteran in the Singapore corporate restructuring and advisory space. (Company, OCBC)

### **CapitaLand Ltd (“CAPL”) | Issuer Profile: Neutral (3) and Ascott Residence Trust (“ART”) | Issuer Profile: Neutral (4)**

- CapitaLand has obtained shareholders' [approval for the acquisition of Ascendas Pte Ltd \(“ASC”\) and Singbridge Pte Ltd \(“SBG”\)](#) yesterday at a shareholder's meeting with strong shareholder support.
- The company was asked about potential overlaps between the businesses, in which CAPL's CEO expressed that Ascendas Hospitality Trust (Issuer Profile: Unrated) and ART would be in direct conflict in terms of their overlapping investment mandate and this would need to be resolved.
- CAPL would need to review the situation where possible plans include (1) Narrowing the investment mandate for each REIT (2) Sell one of the REIT or (3) Merge the two.
- We think merging of the two is the likeliest situation as (1) Ascendas Hospitality Trust's hotels are performing assets (2) ART have been diversifying away from just serviced residences (3) Precedent mergers among Singapore REITs now exist and (4) Larger scale REITs are seen as having competitive edge and are now favoured by REIT managers and investors alike. (Business Times, OCBC)

## **Credit Headlines (cont'd)**

### **CWT International Ltd (“CWTI”) | Issuer Profile: Negative (6) and Mapletree Logistics Trust (“MLT”) | Issuer Profile: Neutral (4)**

- CWTI had earlier on [10 April 2019 entered into a trading halt pending publication of an announcement for inside information](#). CWTI is the parent company of CWT Pte Ltd (“CWT SG”, issuer of two SGD-denominated bonds)
- Today, CWTI announced that it has failed to pay accrued interests and certain fees (amounting to HKD63mn) which have become due and payable under a HKD1.4bn loan facility. We think this HKD1.4bn loan was taken as new borrowings to partly refinance an earlier USD561mn (~HKD4.4bn) of acquisition debt which CWTI took to buy CWT SG.
- Since a default has occurred under this facility, CWTI lenders (which are unnamed) have issued demands to the company for the payment of the overdue sum (principal of HKD1.4bn, accrued interest and all other amounts). The default under this facility has triggered a cross default under a term loan facility granted by a lender to an unnamed wholly-owned subsidiary of the company (HKD766mn in outstanding amount).
- Additionally, the lenders have given CWTI until tomorrow morning (9am, 17 April 2019) to repay. If CWTI does not, lenders will enforce the security and contain possession of all charged assets. Among the charged assets include (1) CWTI's stake in CWT SG (2) Investment Properties in the United Kingdom and the US and (3) Golf courses in China.
- For the avoidance of doubt, the default has occurred at the CWTI level and not at the CWT SG level. We do not think events at the CWTI level has triggered cross defaults on the CWT SG SGD-denominated bonds. As a recap, CWTI is an entity that sits above CWT SG.
- It is worth noting that [CWT International has been a troubling parent for CWT SG](#) with auditors casting doubt over its ability to continue as a going concern. As a recap, [CWTI had also sold five of CWT SG warehouses to MLT in 2H2018](#). Legality aside, we had seen this as an asset-strip of CWT SG.
- Assuming the lenders take possession of CWT SG, CWT SG having a new parent is not a bad thing for SGD bondholders. While we do not have the identity of the lender, in our view, they are likelier to be financially driven and hence incentivised to keep CWT SG's value as intact as possible.
- We have limited access to the financials at CWT SG given it is now an unlisted entity although we are taking a judgement call that it still able to redeem the CWTSP 4.8% '19s due on Thursday (18 April 2019). Events at CWTI though may complicate and drag out this redemption process. Whilst CWT SG's credit profile has deteriorated with its crown jewels sold to MLT, CWT SG still has other assets (including a logistics facility with a market value of SGD438mn as at 9 September 2017). We also understand its day-to-day operations are continuing with its CEO and CFO still at the helm of the company. There was no change in CEO and CFO at the CWT SG level post-CWTI's purchase and subsequent delisting from the SGX.
- Developments at CWT SG would have a second-order impact in our view on MLT. In the third quarter of the financial year ended 2019 (“3QFY2019”), MLT's gross revenue was somewhat concentrated on CWT SG as CWT SG was the largest tenant for MLT contributing 9.1% of gross revenue. We will continue monitoring developments. (Company, OCBC)

**Table 1: Key Financial Indicators**

	16-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	64	-4	-1
iTraxx SovX APAC	42	-2	-7
iTraxx Japan	54	-3	-2
iTraxx Australia	67	-4	1
CDX NA IG	57	-4	-1
CDX NA HY	108	1	1
iTraxx Eur Main	58	-3	-1
iTraxx Eur XO	248	-10	-18
iTraxx Eur Snr Fin	70	-4	0
iTraxx Sovx WE	17	-2	-2
AUD/USD	0.715	0.34%	0.62%
EUR/USD	1.131	0.37%	-0.28%
USD/SGD	1.353	0.04%	-0.13%
China 5Y CDS	41	-2	-3
Malaysia 5Y CDS	52	-4	-8
Indonesia 5Y CDS	95	-4	0
Thailand 5Y CDS	38	-3	-4

	16-Apr	1W chg	1M chg
Brent Crude Spot (\$/bbl)	71.03	0.59%	5.76%
Gold Spot (\$/oz)	1,284.93	-1.47%	-1.44%
CRB	187.41	-0.68%	1.93%
GSCI	450.07	0.09%	4.07%
VIX	12.32	-6.53%	-4.35%
CT10 (bp)	2.547%	4.65	-4.00
USD Swap Spread 10Y (bp)	-1	1	-3
USD Swap Spread 30Y (bp)	-24	1	-1
US Libor-OIS Spread (bp)	19	1	-3
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	26,385	0.17%	2.07%
SPX	2,906	0.34%	2.94%
MSCI Asiax	681	-0.49%	3.52%
HSI	29,998	-0.53%	3.40%
STI	3,332	0.18%	4.11%
KLCI	1,631	-0.66%	-2.94%
JCI	6,447	-0.58%	-0.22%

## New issues

- China Evergrande Group has priced a USD200mn re-tap of its existing EVERRE 9.5%'22s at par, a USD400mn re-tap of its existing EVERRE 10%'23s at par and a USD400mn re-tap of its existing EVERRE 10.5%'24s at par.
- Central China Real Estate Limited has priced a USD300mn 4NC2 bond (subsidiary guarantors: certain of company's restricted subsidiaries outside the PRC) at 7.5%, tightening from IPT of 7.625% area.
- RongXingDa Development (BVI) Ltd has priced a USD325mn 3NC2 bond (parent guarantor: RiseSun Real Estate Development Co Ltd) at 8.375%, tightening from IPT of 8.5% area.
- Shinhan Bank has priced a USD400mn 10-year Tier 2 bonds at T+157.5bps, tightening from IPT of T+185bps area.
- Shriram Transport Finance Co Ltd has priced a USD500mn 3.5-year bond at 5.95%, tightening from IPT of 6.125% area.
- ARA Asset Management Ltd has priced a SGD100mn 5-year bond at 4.15%, tightening from IPG of 4.375% area.
- Tokyo Metropolitan Government has mandated banks for its potential USD or EUR bond issuance.
- Mirae Asset Daewoo Co Ltd has scheduled investor meetings from 18 April for its potential USD bond issuance.
- GLP Pte Ltd has scheduled investor meetings from 23 April for its potential USD bond issuance.
- Industrial & Commercial Bank of China Ltd has mandated banks for its potential USD, EUR and CNH green bond issuances.

Date	Issuer	Size	Tenor	Pricing
15-Apr-19	China Evergrande Group	USD200mn USD400mn USD400mn	EVERRE 9.5%'22s EVERRE 10.0%'23s EVERRE 10.5%'24s	9.5% 10.0% 10.5%
15-Apr-19	Central China Real Estate Limited	USD300mn	4NC2	7.5%
15-Apr-19	RongXingDa Development (BVI) Ltd	USD325mn	3NC2	8.375%
15-Apr-19	Shinhan Bank	USD400mn	10-year	T+157.5bps
15-Apr-19	Shriram Transport Finance Co Ltd	USD500mn	3.5-year	5.95%
15-Apr-19	ARA Asset Management Ltd	SGD100mn	5-year	4.15%
12-Apr-19	Yuyao Economic Development Zone Construction Investment & Development Co Ltd	USD100mn	3-year	6.0%
12-Apr-19	Guangzhou Fineland Real Estate Development Co Ltd	USD300mn	2-year	14.6%
11-Apr-19	Nuoxi Capital Ltd	USD300mn	3.5-year	7.45%
11-Apr-19	Vedanta Resources Finance II PLC	USD400mn USD600mn	4-year 7NC4	8.0% 9.25%

Source: OCBC, Bloomberg

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