

Jan 16, 2019

Credit Headlines: Singapore Property – Industry Outlook, Olam International Ltd, Hyflux Ltd, Ascendas Real Estate Investment Trust, ESR-REIT

Market Commentary

- The SGD swap curve bear steepened yesterday, with the shorter tenors (4-year and less) trading within 1bps higher while the longer tenors traded 1-2bps higher (with the exception of the 12-year swap rate trading 0.5bps higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 161bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 592bps.
- Flows in SGD corporates were heavy yesterday, with bulk of the flows contributed by BNP 4.35% '29s while the remaining flows are seen in SINTEC 5.0%-PERPs, UBS 5.875%-PERPs, MAPLSP 3.95%-PERPs, SOCGEN 4.3%' 26s, IOCLIN 4.1% '22s and DBSSP 3.98%-PERPs.
- 10Y UST yields rose 1bps to close at 2.71% as market sentiments continued on the upswing on supportive performance in US stocks and oil prices and news that China plans to cut taxes to address slowing growth.

Credit Headlines:

Singapore Property – Industry Outlook

- The top bid from Kampong Java site came from Chip Eng Seng with a price of SGD418.4mn. This is just 0.3% above GuocoLand's bid of SGD417mn. At the price of SGD1,192 psf ppr, this looks low relative to the transactions done last year. For example, Makeway View which is nearby was transacted at SGD1,626 psf ppr. (Business Times, Straits Times, OCBC)

Olam International Ltd (“OLAM”) | Issuer Profile: Neutral (5)

- Reportedly OLAM has decided to close part of its commodity hedge fund business. The Commodity Financial Services business has been loss-making for Olam, for the 9M2018 it made a SGD31.9mn loss before interest, depreciation and amortisation and this was negative SGD3.1mn in 9M2017 as such we have not factored in a contribution from this unit in our Neutral (5) issuer profile.
- We would be reviewing OLAM's issuer profile in conjunction with its 2019 – 2024 strategic plan (would contain two three-year plans for 2019 – 2021 and 2022 – 2024) that would be disclosed on 25 January 2018 and full year financials for 2018. We expect the strategic plan to contain more information about businesses that it wants to prioritize versus those that they would want to exit/dispose of.
- OLAM's previous strategic plan was for 2016 – 2018 and this was focused on (1) supply chain management of agricultural raw materials and food ingredients (origination, logistics, trading and risk management) and (2) selective integration across the value chain, including upstream (plantations and farming), midstream (manufacturing and processing) and downstream (packaged foods distribution). (Bloomberg, Company, OCBC)

Credit Headlines (cont'd):

Hyflux Ltd (“HYF”) | Issuer Profile: Unrated, Ascendas Real Estate Investment Trust (“AREIT”) | Issuer Profile: Neutral (3), ESR-REIT (“EREIT”) | Issuer Profile: Neutral (4)

- HYF has filed its most recent affidavit dated 11th January that provides various updates on its reorganization process and on-going operations. Key developments include:
 - Expected release of a restructuring proposal in February 2019. This proposal is key to the successful implementation of HYF’s [Restructuring Agreement](#);
 - The surrender of its lease at Hyflux Building on January 2nd and on-going negotiation with AREIT to reduce its leased space in Hyflux Innovation Centre;
 - Delays in the completion of its TuasOne WTE Project and ongoing challenges in its [Tlemcen Project](#) and the receipt of a notice of termination from the offtakers of the Souk Tleta desalination plant; and
 - Accounting and Corporate Regulatory Authority granting HYF’s extension applications to hold its FY2018 Annual General Meeting by 31 August 2019 and to file its 2018 annual report by 30 September 2019.
- Given HYF contributes just 1.2% of portfolio gross rental income as at 30 September 2018, the impact from the lease negotiations and surrendering is minimal to AREIT’s credit profile in our view. As an aside, we continue to monitor the performance of HYF’s rents to ESR-REIT (“EREIT”) | Issuer Profile: Neutral (4)) given its relatively higher contribution to EREIT’s total rental income (6.9% in 3Q2018).
- Hyflux is holding its second town hall meeting on 18th January and a further case management conference is scheduled for 11th February. (Company, OCBC)

Table 1: Key Financial Indicators

	16-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	88	0	-3
iTraxx SovX APAC	66	0	-1
iTraxx Japan	77	0	0
iTraxx Australia	88	-1	-1
CDX NA IG	76	-3	-6
CDX NA HY	104	0	1
iTraxx Eur Main	81	-2	-1
iTraxx Eur XO	335	0	-7
iTraxx Eur Snr Fin	102	-4	-2
iTraxx Sovx WE	26	--	1
AUD/USD	0.719	0.32%	0.20%
EUR/USD	1.140	-1.23%	0.47%
USD/SGD	1.356	-0.18%	1.26%
China 5Y CDS	61	0	-2
Malaysia 5Y CDS	95	-4	-9
Indonesia 5Y CDS	127	1	-8
Thailand 5Y CDS	45	1	2

	16-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	60.59	-1.38%	0.51%
Gold Spot (\$/oz)	1,289.47	-0.32%	3.50%
CRB	178.98	1.71%	-0.74%
GSCI	404.40	2.52%	-0.42%
VIX	18.6	-9.14%	-14.01%
CT10 (bp)	2.704%	-0.59	-18.54
USD Swap Spread 10Y (bp)	3	0	0
USD Swap Spread 30Y (bp)	-21	-4	-7
TED Spread (bp)	37	-3	-2
US Libor-OIS Spread (bp)	37	-2	-4
Euro Libor-OIS Spread (bp)	5	0	1
DJIA	24,066	1.17%	-0.14%
SPX	2,610	1.39%	0.40%
MSCI Asiax	615	1.25%	2.15%
HSI	26,708	0.93%	2.35%
STI	3,216	1.85%	4.53%
KLCI	1,671	0.20%	0.55%
JCI	6,401	2.05%	3.74%

New issues

- Bocom Leasing Management Hong Kong Company Ltd. has priced a USD1.5bn 2-tranche deal with the USD800mn 3-year tranche priced at 3Y FXD+172.5bps (tightening from IPT of T+195bps area) and the USD700mn 5-year tranche priced at 5Y+200bps (tightening from IPT of T+225bps area) (keepwell and asset purchase deed provider: Bank of Communications Financial Leasing Co.).
- China Aoyuan Group Ltd. has priced a USD500mn 3NC2 bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 8.5%, tightening from IPT of 8.8% area.
- Yuzhou Properties Company Limited has priced a USD500mn 3-year bond (guaranteed by certain Restricted Subsidiaries of the Issuer outside of the PRC) at 8.625%, tightening from IPT of 9.0% area.
- Zhenro Properties Group Limited has priced a USD150mn retap of its existing USD250mn ZHPRHK 10.5% '20s (guaranteed by certain non-PRC restricted subsidiaries of the Issuer) at 10.625% (or 99.822), tightening from IPT of 11.125% area.
- Hanwha Total Petrochemical Co. Ltd. has priced a USD400mn 5-year bond at CT5+140bps, tightening from IPT of CT5+165bps area.
- Alam Synergy Pte. Ltd has priced a USD175mn 2.25NC1.25 bond (guaranteed by parent PT Alam Sutera Realty Tbk) at 11.7% (11.5% coupon at 99.654 reoffer price), tightening from IPT of 12% area.
- Johnson Electric has scheduled for investor meetings in Hong Kong and Singapore over Jan 16-17 for its potential USD bond issuance.

New issues (cont'd):

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
15-Jan-19	Bocom Leasing Management Hong Kong Company Ltd	USD1.5bn 2-tranche	USD800mn 3-year USD700mn 5-year	3Y FXD+172.5bps 5Y FXD+200bps
15-Jan-19	China Aoyuan Group Ltd	USD500mn	3NC2	8.5%
15-Jan-19	Yuzhou Properties Company Limited	USD500mn	3-year	8.625%
15-Jan-19	Zhenro Properties Group Limited	USD150mn	ZHPRHK 10.5% '20s	10.625%
15-Jan-19	Hanwha Total Petrochemical Co Ltd	USD400mn	5-year	CT5+140bps
15-Jan-19	Alam Synergy Pte Ltd (parent PT Alam Sutera Realty Tbk)	USD175mn	2.25NC1.25	11.7%
14-Jan-19	BNP Paribas SA	SGD250mn	10NC5 Tier 2	4.35%
14-Jan-19	Korea Midland Power Co Ltd	USD300mn	3-year	T+95bps
14-Jan-19	Future Land Development Holdings Ltd	USD300mn	2-year	7.5%
11-Jan-19	DBS Group Holdings Ltd	USD100mn	2-year	3-month US LIBOR +41bps
11-Jan-19	Industrial & Commercial Bank of China Ltd of Hong Kong	USD200mn	1-year	3-month US LIBOR +65bps
11-Jan-19	Industrial & Commercial Bank of China Ltd of Hong Kong	USD100mn	2-year	3-month US LIBOR +70bps
11-Jan-19	Easy Tactic Ltd (Guangzhou R&F Properties HK Co Ltd)	USD200mn	GZRFPR 8.75%'21s	8.87%
10-Jan-19	Singapore Technologies Telemedia Pte Ltd	SGD300mn	PerpNC5	5.0%
10-Jan-19	Sunac China Holdings Ltd	USD600mn	2-year	8.375%
10-Jan-19	Indian Oil Corp	USD900mn	5-year	T+222.5bps

Source: OCBC, Bloomberg

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