

Mar 27, 2019

Credit Headlines: Hyflux Ltd

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors and belly trading within 1bps higher while the longer tenors traded 2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 134bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 458bps.
- Flows in SGD corporates were heavy, with significant flows in HFCSP 4.2%'22s. Other SGD corporates were GUOLSP 4.6%-PERPs, LLCAU 3.9%'27s and MAPLSP 3.58%'29s.
- 10Y UST yields rose 2bps to close the session at 2.42%, as the pullback across risky assets for the past two sessions eased with signs of stability and improving risk sentiment. The yield curve between the 3-month and 10-year treasury yields, however, was still inverted by approximately 4bps.

Credit Headlines

Hyflux Ltd (“Hyflux”) | Unrated

- HYF has published an [update on its re-organization process](#) to address the many recent developments, which are accelerating towards the planned scheme meetings on April 5th. The key details for investors in our view are:
 - The deteriorating relationship or interactions between HYF and the strategic investor SM Investments Pte Ltd (“SMI”);
 - SMI's challenge to the use of SGD272mn in proceeds from its SGD530mn investment towards the full settlement of HYF's obligations;
 - SMI adding the existence of another “Prescribed Occurrence” related to the 25 December 2018 notice from Sonatrach SpA and L'Algerienne des Eaux (“Magtaa Offtakers”) relating to certain defaults under the concession agreement for the Magtaa desalination plant in Algeria, with HYF to confirm these defaults will be remedied by 8 April 2019; and
 - If SMI walks away from the Restructuring Agreement, SMI will forego a SGD38.9mn deposit in a worst case scenario for SMI.
- In our view, these developments highlight (1) the lack of awareness by SMI with regards The Public Utilities Board (“PUB”) right and likelihood to take over Tuaspring; (2) their disagreement with PUB's view that taking over the asset by PUB would benefit HYF and should not be used by SMI as a reason to terminate the restructuring agreement; and (3) SMI's rising intention to walk away from the deal should PUB exercise their right.
- Ultimately, we think the initially proposed investment by SMI of SGD530mn is looking irrelevant in SMI's view no matter which way the restructuring proceeds. This is because they would either be investing in HYF without a major asset as originally contemplated or investing in HYF with a major asset that is subject to operational issues, high regulatory risk with claims against it by the offtaker. The challenge of SMI with regards the use of proceeds is likely related to the operational issues and that more funds injected by SMI would need to meet working capital.
- HYF has confirmed its intent to proceed with the scheme meetings on April 5th. The next key event however remains April 1st which is the date by which SMI has indicated the first “Prescribed Occurrence” related to the PUB default notice must be resolved. We note though that the existence of a “Prescribed Occurrence” remains in contention between HYF and SMI.
- Challenges to a successful restructuring are mounting and intensifying in our view and we continue to see the possibility of a successful restructuring as looking increasingly remote. (OCBC, Company)

Table 1: Key Financial Indicators

	27-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	70	-4	0
iTraxx SovX APAC	46	-3	-9
iTraxx Japan	60	0	1
iTraxx Australia	76	0	7
CDX NA IG	68	3	8
CDX NA HY	106	0	0
iTraxx Eur Main	68	2	6
iTraxx Eur XO	277	12	1
iTraxx Eur Snr Fin	85	7	12
iTraxx Sovx WE	20	0	-3
AUD/USD	0.711	-0.04%	-0.35%
EUR/USD	1.126	-1.33%	-0.96%
USD/SGD	1.353	-0.45%	-0.33%
China 5Y CDS	45	-5	-4
Malaysia 5Y CDS	61	-5	-4
Indonesia 5Y CDS	101	-5	-5
Thailand 5Y CDS	42	-5	-4

	27-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	67.97	-0.77%	2.38%
Gold Spot (\$/oz)	1,317.25	0.36%	-0.20%
CRB	185.23	0.00%	1.09%
GSCI	437.11	0.40%	2.42%
VIX	14.68	8.26%	-0.14%
CT10 (bp)	2.420%	-10.68	-26.30
USD Swap Spread 10Y (bp)	-4	-5	-4
USD Swap Spread 30Y (bp)	-28	-4	-7
US Libor-OIS Spread (bp)	21	1	-1
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	25,658	-0.89%	-1.26%
SPX	2,818	-0.50%	0.93%
MSCI Asiax	656	-1.30%	-0.43%
HSI	28,567	-2.57%	-0.66%
STI	3,196	-0.35%	-1.65%
KLCI	1,648	-2.17%	-3.84%
JCI	6,470	-0.16%	-0.85%

New issues

- China Bright (Hong Kong) Ltd has priced a USD138mn 3-year bond (guarantor: Beijing Easyhome Investment Holding Group Co Ltd) at 6.5%, in line with the final guidance.
- NTPC Ltd has priced a USD450mn 5-year bond at CT5+155bps, tightening from IPT of +185bps area.
- Metro Holdings Ltd has priced a SGD165mn 5-year bond at 4.3%, tightening from IPG of 4.5% area.
- GMR Hyderabad International Airport Ltd has scheduled investor meetings from 27 March for its potential USD bond issuance.
- CMT MTN Pte Ltd has scheduled investor meetings on 26 March for its potential USD 10-year bond issuance.

Date	Issuer	Size	Tenor	Pricing
26-Mar-19	China Bright (Hong Kong) Ltd	USD138mn	3-year	6.5%
26-Mar-19	NTPC Ltd	USD450mn	5-year	CT5+155bps
26-Mar-19	Metro Holdings Ltd	SGD165mn	5-year	4.3%
25-Mar-19	Indian Railway Finance Corp Ltd	USD500mn	5-year	CT5+150bps
21-Mar-19	Bank Rakyat Indonesia (Persero) Tbk	USD500mn	5-year	CT5+168bps
21-Mar-19	CIFI Holdings (Group) Co Ltd	USD255mn	5NC3	6.55%
21-Mar-19	Gemdale Ever Prosperity Investment Ltd	USD300mn	GEMDAL 6.0%'21s	5.7%
21-Mar-19	Chengdu Economic and Technological Development Zone State-Owned Assets Investment Co Ltd	USD250mn	CDECST 7.5%'22s	100
21-Mar-19	Canara Bank	USD400mn	5-year	CT5+170bps
20-Mar-19	China South City Holdings Ltd	USD200mn	2-year	12.125%
20-Mar-19	Huayuan Property Co Ltd	USD300mn	2.5-year	8.5%
20-Mar-19	Sunac China Holdings Ltd	USD200mn	SUNAC 8.35%'23s	100
19-Mar-19	Landmark Funding 2019 Ltd	USD450mn	3-year	4.7%
19-Mar-19	KWG Group Holdings Ltd	USD350mn	KWGPRO 7.875%'23s	102.125

Source: OCBC, Bloomberg

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