

### Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors around 0-1bps higher, and the belly and longer tenors around 1-3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 513bps. The HY-IG Index spread widened 1bps to 385bps.
- Flows in SGD corporates were heavy, with large ticket flows in UBS 4.85%-PERPs. We also saw flows in CAPLSP 3.65%-PERPs, SIASP 3.13%'26s, SOCGEN 6.125%-PERPs and UOBSP 3.58%-PERPs.
- 10Y UST Yields fell 1bps to 1.74% on fresh optimism on good progress of the US-China trade talks.

### Credit Research

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### Credit Summary:

- [Keppel Infrastructure Trust](#) | **Neutral (4)**: On 27 November 2019, KIT's wholly-owned subsidiary Basslink Pty Ltd ("Basslink") announced that it has arranged with its lending syndicate for a 12 month extension of the maturity date on the ~SGD646mn of debt that has been in technical default. The lenders have also waived all breaches and event of defaults that have arisen under the arrangements to date. We have seen Basslink as credit neutral given that the debt is ring fenced and does not contribute distributable cash flow to the holding company. As such the extension and waiver of default in itself does not move our issuer profile from Neutral (4).
- [Hyflux Ltd](#) | **Unrated**: HYF has announced the broad terms of its restructuring agreement with Utico FZC, which was entered into yesterday. Utico FZC and (to be confirmed) co-investors will subscribe for new equity in HYF for SGD300mn translating to a 95% stake in HYF. This amount is to be paid in instalments with SGD150mn to be paid in cash and SGD150mn to be paid via a promissory note with final payment due 18 months after the Completion Date. Utico FZC will also provide a SGD100mn working capital line with SGD50mn to be used to settle in full the claims of perpetual security and preference share holders. Final details are yet to be provided. The way forward however still contains hurdles including the satisfaction of material conditions precedent including the receipt of necessary government and regulatory approvals and more importantly the full and final settlement of HYF debts through acceptance of the scheme.

## Asian Credit Daily

### Credit Headlines

#### Keppel Infrastructure Trust (“KIT”) | Issuer Profile: Neutral (4)

- KIT’s wholly-owned subsidiary Basslink Pty Ltd (“Basslink”) owns and operate a high-voltage, direct current monopole electricity interconnector between Victoria and Tasmania. As at 30 September 2019, KIT faced SGD1.4bn in short term debt, of which debt coming due at Basslink was ~SGD646mn. Basslink had been in a technical default on this loan.
- On 27 November 2019, Basslink announced that it has arranged with its lending syndicate for a 12 month extension of the maturity date on this debt while the lenders have also waived all breaches and event of defaults that have arisen under the arrangements to date.
- We have seen Basslink as credit neutral given that the debt is ring fenced and does not contribute distributable cash flow to the holding company. As such the extension and waiver of default in itself does not move our issuer profile from Neutral (4).
- That being said, the Basslink issue had been a negative headline for some investors and this development provides some respite to KIT’s reputation. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Hyflux Ltd (“HYF”) | Issuer Profile: Unrated**

- HYF has announced the broad terms of its [restructuring agreement with Utico FZC](#), which was entered into yesterday. Key terms include:
  - Utico FZC and (to be confirmed) co-investors subscribing for new equity in HYF for SGD300mn translating to a 95% stake in HYF. This amount is to be paid in instalments with SGD150mn to be paid in cash and SGD150mn to be paid via a promissory note with final payment due 18 months after the Completion Date. These proceeds are to be allocated to “Unsecured Scheme Parties” which is defined as Unsecured Financial Debt, the Contingent Debt and/or Trade Debt (other than the Subsidiaries Trade Debt) with SGD250mn of the amount used to settle in full their claims as follows:
    - ❖ SGD125mn of the cash payment shared on a pro-rata basis amongst the Unsecured Scheme Parties;
    - ❖ SGD125mn of the promissory notes shared on a pro-rata basis amongst the Unsecured Scheme Parties and attracting interest of 1.5% pa and secured by a security package.
  - Utico FZC providing a SGD100mn working capital line with SGD50mn to be used to settle in full the claims of perpetual security and preference share holders (defined as “Debt Securities”) using two options:
    - ❖ An upfront cash payment equal to the lesser of SGD1,500 and 50% of the aggregate value of the Debt Securities with total payments capped at SGD50mn; or
    - ❖ A deferred cash payment equal to the lesser of SGD1,500 and 50% of the aggregate value of the Debt Securities to be paid over two years in five equal instalments with outstanding amounts attracting interest of 1.25% pa with total payments capped at SGD50mn together with an additional incentive payment equal to (a) the cash equivalent of 4% of the equity in HYF should it be listed within two years and SGD50mn; or (b) SGD50mn if listing of HYF does not occur within two years of the Completion Date. These incentive payments will also be paid over two years in five equal instalments once HYF is listed amounts and will attract interest of 1.25% pa.
- Final details are yet to be provided however we expect this agreement will allow for the current debt moratorium to be extended past its 2 December 2019 expiry date in the hearing scheduled on 29 November. The way forward however still contains hurdles including the satisfaction of material conditions precedent including the receipt of necessary government and regulatory approvals and more importantly the full and final settlement of HYF debts through acceptance of the scheme.
- On a preliminary view, and notwithstanding the lack of details we think the broad terms represent a reduction in the payout for senior unsecured creditors while the payout for junior creditors (perpetual security and preference share holders) is now uneven benefitting small retail holders and disadvantaging holders of larger amounts of bonds or preference shares.
- As we previously mentioned, completion risk remains elevated in our view although progress has been made. Note that previously not all parties supported court extensions of the debt moratorium according to [media reports](#) with a group comprising unsecured bank lenders objecting to the extension [given a lack of updates](#) and costs of the prolonged moratorium. These broad terms may not give any comfort to this group. (Company, SGX OCBC)

## Asian Credit Daily

### Key Market Movements

	27-Nov	1W chg (bps)	1M chg (bps)		27-Nov	1W chg	1M chg
iTraxx Asiax IG	65	0	-1	<b>Brent Crude Spot (\$/bbl)</b>	64.05	2.64%	3.27%
iTraxx SovX APAC	30	-1	0	<b>Gold Spot (\$/oz)</b>	1,460.69	-0.74%	-2.13%
iTraxx Japan	53	0	-6	<b>CRB</b>	181.10	2.23%	1.53%
iTraxx Australia	56	-1	-3	<b>GSCI</b>	422.06	3.02%	1.40%
CDX NA IG	49	-4	-4	<b>VIX</b>	11.54	-10.26%	-8.77%
CDX NA HY	108	1	0	<b>CT10 (%)</b>	1.748%	0.34	-4.60
iTraxx Eur Main	48	-2	-2				
iTraxx Eur XO	227	-9	-1	<b>AUD/USD</b>	0.679	-0.24%	-0.75%
iTraxx Eur Snr Fin	57	-3	-1	<b>EUR/USD</b>	1.102	-0.49%	-0.73%
iTraxx Eur Sub Fin	120	-6	2	<b>USD/SGD</b>	1.365	-0.18%	-0.18%
iTraxx Sovx WE	12	0	1	<b>AUD/SGD</b>	0.926	0.01%	0.57%
<b>USD Swap Spread 10Y</b>	-8	2	0	<b>ASX 200</b>	6,830	1.61%	1.35%
<b>USD Swap Spread 30Y</b>	-35	4	4	<b>DJIA</b>	28,122	0.67%	4.32%
<b>US Libor-OIS Spread</b>	36	1	2	<b>SPX</b>	3,141	0.65%	3.90%
<b>Euro Libor-OIS Spread</b>	5	0	1	<b>MSCI Asiax</b>	654	0.17%	2.57%
				<b>HSI</b>	26,914	0.09%	0.92%
<b>China 5Y CDS</b>	39	-1	1	<b>STI</b>	3,214	-0.49%	0.89%
<b>Malaysia 5Y CDS</b>	42	-1	-2	<b>KLCI</b>	1,585	-1.00%	0.96%
<b>Indonesia 5Y CDS</b>	74	-1	-2	<b>JCI</b>	6,026	-2.05%	-3.62%
<b>Thailand 5Y CDS</b>	27	-1	0	<b>EU Stoxx 50</b>	3,706	0.24%	2.23%
<b>Australia 5Y CDS</b>	18	0	0				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- PTTEP Treasury Center Co. (Guarantor: PTT Exploration and Production Public Company Limited) priced a USD650mn 40-year bond at T+172.5bps, tightening from IPT of T+195bps area.
- The Ministry of Finance of the People's Republic of China priced USD6.0bn in 4 tranches; a USD1.5bn 3-year bond at T+35bps (tightening from IPT of T+60bps area); a USD2.0bn 5-year bond at T+40bps (tightening from IPT of T+65bps area); a USD2.0bn 10-year bond at T+50bps (tightening from IPT of T+70bps area); and a USD500mn 20-year bond at T+70bps (tightening from IPT of T+80bps area).
- Yichun Development Investment HaiTong Co., Ltd (Keepwell provider: Yichun Development Investment Group Co., Ltd; SBLC provider: Jiangxi Bank Co., Ltd., Yichun Branch) priced a USD300mn 3-year bond at 4.2%, tightening from IPT of 4.5% area.
- AC Energy Finance International Ltd (Guarantor: AC Energy, Inc) priced a USD400mn NC3-Perpetual green bond at 5.65%, tightening from IPT of 6.0% area.
- Melco Resorts Finance Ltd (MPEL) priced a USD900mn 10NC5 bond at 5.375%, tightening from IPT of 5.625% area.
- Hangzhou Linjiang Investment Development Co. Ltd mandated banks for its proposed USD bond offering.
- China Huaneng Group Co., Ltd scheduled investor meetings commencing 27 Nov for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
26-Nov-19	PTTEP Treasury Center Co.	USD650mn	40-year	T+172.5bps
26-Nov-19	The Ministry of Finance of the People's Republic of China	USD1.5bn USD2.0bn USD2.0bn USD500mn	3-year 5-year 10-year 20-year	T+35bps T+40bps T+50bps T+70bps
26-Nov-19	Yichun Development Investment HaiTong Co., Ltd	USD300mn	3-year	4.2%
26-Nov-19	AC Energy Finance International Ltd	USD400mn	NC3-Perpetual	5.65%
26-Nov-19	Melco Resorts Finance Ltd (MPEL)	USD900mn	10NC5	5.375%
25-Nov-19	China State Construction Finance (Cayman) III Limited	USD500mn	NC5-Perpetual	T+241bps
25-Nov-19	TMB Bank Public Company Limited	USD400mn	NC5-Perpetual	4.9%
22-Nov-19	Zhenjiang Transportation Industry Group Co. Ltd	USD220mn	3-year	7.0%
21-Nov-19	Zhongyuan Asset Management Co., Ltd	USD400mn	3-year	4.2%
21-Nov-19	Anton Oilfield Services Group	USD300mn	3NC2	7.875%
21-Nov-19	Yuzhou Properties Company Limited	USD500mn	5.5NC3	8.3%

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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