

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 2bps lower, while the longer tenors (>5yr) traded 2-3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 564bps.
- Flows in SGD corporates were heavy, with large ticket flows in ARTSP 3.88%-PERPs, MAPLSP 3.15%'31s, UOBSP 3.58%-PERPs, CAPLSP 3.15%'29s and CS 5.625%-PERPs. We also saw flows in SPHRSP 4.1%-PERPs, SOCGEN 6.125%-PERPs, STANLN 5.375%-PERPs, UBS 5.875%-PERPs, F 4.125%'24s, SIASP 3.13%'27s, SPHSP 4.1%-PERPs, TMGSP 4.8%'22s, DBSSP 3.98%-PERPs and HSBC 4.7%-PERPs.
- 10Y USTs fell 6bps to 1.47%, as investors weighed the mixed signals from the US-China trade war, with Chinese officials downplaying progress towards a trade deal. Spread between the 2-year treasury notes and 10-year treasury notes remains inverted, with the spread at -4bps, while the spread between 3-month treasury bills and 10-year treasury notes also remains inverted, with the spread widening to -46bps.

Credit Summary:

- **UBS Group AG | Neutral (3):** Yesterday we published our thoughts on UBS' proposed SGD Perpetual non-call 5yrs Additional Tier 1 instrument. While the initial price guidance of 5% area indicates an initial spread of ~350bps over current 5-year swaps of 1.50%, we would not be surprised if technicals grind this deal tighter by 10-20bps. Other considerations in our view include (1) the relative reset spreads for this new instrument against prior instruments; and (2) while the economic outlook is more clouded since the prior issue, the technical environment has shifted considerably with positive sentiment for bank capital instruments given the dovish rates outlook
- **WingTai Holdings Ltd | Neutral (4):** WINGTA reported 4QFY2019 results for the quarter ending 30 June. Fourth quarter revenue fell 41% y/y to SGD63.4mn, while full year FY2019 revenue fell 10% y/y. Reported EBIT from the core segments fell 64.2% y/y to SGD107.3mn, and net gearing rose q/q to 11.4% from net cash position in the previous quarter. We think net gearing may continue to rise as WINGTA continue to look for investment opportunities in Singapore and overseas. Meanwhile, there is no short-term debt due. We continue to hold WINGTA at a Neutral (4) Issuer Profile.
- **Oxley Holdings Ltd | Neutral (5):** OHL reported 4QFY2019 results for the quarter ending 30 Jun. 4QFY2019 revenue fell 57% y/y to SGD100.4mn while full year FY2019 revenue fell 42.3% y/y to SGD686.1mn. Net gearing fell q/q to 2.06x, and OHL holds SGD474.4mn cash as of end 30 June 2019. Aside from OHLSP 5% '19s, another SGD1.04bn debt remains due within the next 12 months, which we think can be repaid from property sales or refinanced. We expect OHL to receive significant cash proceeds from the property sales globally. While total debt of SGD3.58bn is high, we note that based on current sales, OHL already accumulated future progress billings of SGD3.87bn. We continue to hold OHL at a Neutral (5) Issuer Profile.

Credit Research

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Asian Credit Daily

Credit Headlines

UBS Group AG (“UBS”) | Issuer Profile: Neutral (3)

- Yesterday we published our thoughts on [UBS’ proposed SGD Perpetual non-call 5yrs Additional Tier 1 instrument](#).
- While the initial price guidance of 5% area indicates an initial spread of ~350bps over current 5-year swaps of 1.50%, we would not be surprised if technicals grind this deal tighter by 10-20bps considering current trading levels for the UBS 5.875% PERPc23s and the more recently issued Credit Suisse Group AG SGD750mn CS 5.625% PERPc24s. Both are also Additional Tier 1 instruments.
- Other considerations in our view include (1) the relative reset spreads for this new instrument against prior instruments; and (2) while the economic outlook is more clouded since the prior issue, the technical environment has shifted considerably with positive sentiment for bank capital instruments given the dovish rates outlook. This, along with solid market liquidity, has driven strong demand for duration and structural high yield instruments in the SGD space. (OCBC, Bloomberg)

Wing Tai Holdings Ltd (“WINGTA”) | Issuer Profile: Neutral (4)

- WINGTA reported 4QFY2019 results for the quarter ending 30 June. Revenue fell 41% y/y to SGD63.4mn, which we think is mainly due to lower contributions from development properties as the development landbank is largely dry.
- For the full year FY2019, revenue fell 10% y/y, mainly due to fall in revenue from development properties (-24.1% y/y to SGD136.2mn) though the better performance from investment properties (+15.1% y/y to SGD41.3mn) mitigated some of the decline. Retail declined 1.2% y/y to SGD134.5mn, which we think is due to slight underperformance of WINGTA’s own brands.
- Reported EBIT from the core segments (development properties, investment properties, retail) fell 64.2% y/y to SGD107.3mn, mainly due to declines in contribution from investment properties (-73.2% y/y to SGD53.0mn) due to absence of disposal gain from Winner Godown Building in 3QFY2018 and fair value gains totalling HKD1.54bn (SGD273.3mn) at Wing Tai Properties Ltd which were recorded in 4QFY2018. Development properties saw a significant decline (-79.1% y/y to SGD14.1mn) due to the fall in revenue. Retail though saw reported EBIT (which includes associates) increase 17.1% y/y to SGD40.2mn despite the fall in revenue – we think this is due to strong performance by Uniqlo Singapore (49%-stake) and Uniqlo Malaysia (45%-stake).
- Net gearing rose q/q to 11.4% (3QFY2019: net cash), mainly due to acquisition of Red Planet Hotel Asakusa Tokyo for JPY4.25bn (~SGD52.7mn) in Jun 2019 and SGD492.0mn acquisition of land parcel at Middle Road in Apr 2019. Accounting for SGD300mn in perps (which are senior) as debt, adjusted net gearing is 21.6%. We think net gearing may continue to rise as WINGTA continue to look for investment opportunities in Singapore and overseas. Meanwhile, there is no short-term debt due. We continue to hold WINGTA at a Neutral (4) Issuer Profile. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Oxley Holdings Ltd (“OHL”) | Issuer Profile: Neutral (5)**

- OHL reported 4QFY2019 results for the quarter ending 30 Jun. 4QFY2019 revenue fell 57% y/y to SGD100.4mn, mainly due to lower contribution from Royal Wharf as most units have been handed over.
- For the full year FY2019, revenue fell 42.3% y/y to SGD686.1mn mainly due to decline in property development revenue (-46.9% y/y to SGD608.6mn), on lower contribution from Royal Wharf. As a result, reported EBIT fell 48.8% y/y to SGD61.6mn.
- While results are weaker, we think this is one-off as overall sales progress is good. 55% of the Singapore portfolio has been sold since 2018 and OHL is confident of fully selling the remainder with SGD2.17bn in estimated gross development value by end 2020.
- Net gearing fell q/q to 2.06x (3QFY2019: 2.49x) mainly due to the [sale of Chevron House](#), which deconsolidated the debt (estimated: SGD450mn) on the property while first tranche cash (estimated: SGD194.7mn) was received.
- Due to the first tranche cash received from sale of Chevron House, OHL holds SGD474.4mn cash as of end 30 Jun 2019. With this, OHL is confident of repayment of SGD300mn OHLSP 5% '19s due in Nov 2019.
- Aside from OHLSP 5% '19s, another SGD1.04bn debt remains due within the next 12 months, which we think can be repaid from property sales or refinanced. We expect OHL to receive significant cash proceeds from the property sales in Dublin ([including Blocks B and E](#)) worth EUR154.6mn (SGD238.1mn) which is estimated to complete by May 2020, Dublin Block A4 and A5 contracted sales proceeds (estimated: EUR159mn or SGD244.9mn), expected completion of The Peak in Cambodia in Sep 2019 (estimated proceeds: SGD349.7mn), as well as the remaining proceeds from Chevron House (estimated: SGD295mn). Separately, OHL will be refinancing the hotel debt on Novotel and Mercure (estimated: SGD529mn).
- While total debt of SGD3.58bn is high, we note that based on current sales, OHL already accumulated future progress billings of SGD3.87bn. We continue to hold OHL at a Neutral (5) Issuer Profile. (Company, OCBC)

Key Market Movements

	28-Aug	1W chg (bps)	1M chg (bps)		28-Aug	1W chg	1M chg
iTraxx Asiax IG	66	1	8	Brent Crude Spot (\$/bbl)	59.95	-0.58%	-5.53%
iTraxx SovX APAC	42	1	4	Gold Spot (\$/oz)	1,543.05	2.69%	8.15%
iTraxx Japan	63	1	7	CRB	169.70	-0.70%	-4.21%
iTraxx Australia	66	0	8	GSCI	396.03	-0.96%	-4.96%
CDX NA IG	56	2	4	VIX	20.31	16.06%	67.02%
CDX NA HY	106	0	-2	CT10 (%)	1.468%	-12.16	-60.26
iTraxx Eur Main	50	0	1				
iTraxx Eur XO	265	0	18	AUD/USD	0.676	-0.37%	-2.12%
iTraxx Eur Snr Fin	60	-1	-1	EUR/USD	1.109	0.03%	-0.51%
iTraxx Sovx WE	17	-1	2	USD/SGD	1.389	-0.38%	-1.34%
USD Swap Spread 10Y	-9	1	-1				
USD Swap Spread 30Y	-39	1	-2	DJIA	25,778	-0.71%	-5.20%
US Libor-OIS Spread	28	2	6	SPX	2,869	-1.08%	-5.18%
Euro Libor-OIS Spread	6	1	1	MSCI Asiax	600	-1.67%	-7.52%
				HSI	25,664	-2.16%	-9.63%
China 5Y CDS	48	2	8	STI	3,068	-1.76%	-8.81%
Malaysia 5Y CDS	53	0	5	KLCI	1,591	-0.24%	-3.47%
Indonesia 5Y CDS	93	1	15	JCI	6,278	-0.28%	-0.74%
Thailand 5Y CDS	31	0	0				

Source: Bloomberg

New Issues

- Chengdu Economic & Technological Development Zone Construction Development Co. Ltd has priced a USD200mn 3-year bond at 6.4%.
- Hysan Development Company Ltd has scheduled investor meetings commencing on 27 Aug for its potential USD bond issuance.
- Indorama Ventures Public Company Ltd has scheduled investor roadshows commencing on 28 Aug for its potential USD bond issuance.
- SK Hynix Inc. has scheduled investor meetings commencing on 2 Sep for its potential USD bond issuance.
- KEB Hana Bank has scheduled investor roadshows commencing on 2 Sep for its potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
27-Aug-19	Chengdu Economic & Technological Development Zone Construction Development Co. Ltd	USD200mn	3-year	6.4%
26-Aug-19	Mapletree Treasury Services Ltd	SGD300mn	12-year	3.15%
26-Aug-19	Ascott Residence Trust	SGD150mn	NC5-Perpetual	3.88%
23-Aug-19	SPH REIT Management Pte. Ltd	SGD300mn	NC5-Perpetual	4.1%
22-Aug-19	CapitaLand Treasury Limited	SGD800mn	10-year	3.15%
21-Aug-19	Yanlord Land (HK) Co., Ltd	USD400mn	4.5NC2.5	6.8%
20-Aug-19	Singtel Group Treasury Pte. Ltd	USD750mn	10-year	T+90bps
19-Aug-19	Haichuan International Investment Co., Ltd	USD180mn	FANGYA 7.5%'21s	7.5%
16-Aug-19	Fujian Zhanglong Group Co., Ltd	USD500mn	3-year	6.15%
15-Aug-19	Qingdao Jimo District Urban Development Investment Co. Ltd	USD300mn	3-year	4.9%
15-Aug-19	Hanhui International Ltd	USD300mn	3-year	4.37%
14-Aug-19	Greenko Mauritius Ltd	USD350mn	3.5NC1.5	6.25%
13-Aug-19	Orient Securities Co., Ltd	USD300mn	3-year FRN	6M-US LIBOR+125bps

Source: OCBC, Bloomberg

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