

June 28, 2019

**Credit Headlines:** CWT International Ltd, Frasers Hospitality Trust, Singapore Airlines Ltd

## Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors and belly trading 3-4bps higher, while the longer tenors traded 4-5bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 488bps.
- Flows in SGD corporates were heavy, with flows in ESRCAY 6.75'22s, SOCGEN 6.125%-PERPs, HSBC 4.7%-PERPs, UBS 5.875%-PERPs, OLAMSP 5.5%-PERPs, FPLSP 4.98%-PERPs.
- 10Y UST yields fell 3bps to 2.02%, as concerns regarding the US and China trade tensions were renewed after White House economic adviser Larry Kudlow said that Washington may move ahead with additional tariffs on Chinese products, boosting demand for safe-haven debt. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread widening to -10bps.

## Credit Headlines

### **CWT International Ltd (“CWTI”) | Issuer Profile: Unrated**

- CWTI announced that the company is in advanced stages of negotiation with Plutus Limited Partnership, a third party in relation to a HKD1.6bn refinancing, which if successfully entered into will be used to repay all the outstanding amounts under the Facility Agreement (including related interest and fees). Principal amount outstanding is HKD1.4bn. As a consequence of the non-payment on the Facility Agreement, CWTI's charged assets, including its wholly-owned subsidiary, [CWT Pte Ltd \(“CWT SG”\) had been placed under receivership](#), where receivers are intending to sell these charged assets and are taking steps to sell charged assets.
- In our view, with the latest announcement that a refinancing is possible, there is now an increased likelihood for CWT SG to get out of receivership and continue on as a subsidiary of CWTI. The possible refinancing contemplates notes to be issued, with the notes being guaranteed and secured notes. We think CWT SG would form an important part of any security package. We continue to monitor the situation. (Company, OCBC)

### **Frasers Hospitality Trust (“FHREIT”) | Issuer Profile: Neutral (3)**

- FHREIT shared that its trustee Perpetual (Asia) Limited (in its capacity as trustee of FHREIT) has entered into SGD370mn in bank loan facilities comprising of term loan facilities of SGD350mn and a revolving credit facility of SGD20mn.
- Under these facilities, it is a condition that the REIT Manager of FHREIT shall at all times be a majority-owned subsidiary (direct or indirect) of Frasers Property Limited (Issuer Profile: Neutral (4)).
- As at 31 March 2019, FHREIT faced heavy near-term refinancing needs with short term debt of SGD418.6mn (making up 50% of total debt). Within short term debt is SGD325mn of bank loans and ~SGD31mn relates to a MYR-denominated secured debt securitised against its Westin KL property coming due in July 2019. With the announcement of the SGD370mn bank loan facilities, the main chunk of the short term debt due has been resolved. On the MYR-denominated debt, FHREIT is in the midst of issuing proposed notes in the MYR bond market to refinancing this and we think it will be manageable. (Company, OCBC)

## Credit Headlines (cont'd)

### Singapore Airlines Ltd (“SIA”) | Issuer Profile: Neutral (3)

- SIA and Malaysian Airlines (“MAS”) has signed a memorandum of understanding (“MOU”) to increase cooperative tie. Per media reports, the MOU will build on to their existing code-share agreement which covers flights between Singapore and Malaysia.
- Enhanced ties could see more code-share flights on other routes and involve cargo, maintenance, repair and overhaul services. A formal agreement will be finalised later and this would include not just the parent airline SQ but also other airlines of both SIA and MAS (ie: SilkAir and Scoot for SIA) and Firefly for MAS.
- While Malaysia is open to considering selling MAS, it is too premature for us to speculate if this MOU points towards a possible legal combination of both SIA and MAS. For now we view it as both SIA and MAS strengthening themselves amidst intense competition from low cost carriers in their backyard along with competition from full service airlines from China, the Middle East and Qantas. (Straits Times, OCBC)

**Table 1: Key Financial Indicators**

	28-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	65	-2	-10
iTraxx SovX APAC	41	-2	-8
iTraxx Japan	63	1	-1
iTraxx Australia	64	0	-10
CDX NA IG	56	0	-11
CDX NA HY	107	0	2
iTraxx Eur Main	54	0	-15
iTraxx Eur XO	257	1	-41
iTraxx Eur Snr Fin	66	-2	-24
iTraxx Sovx WE	17	0	-1
AUD/USD	0.700	1.13%	1.16%
EUR/USD	1.137	0.01%	1.88%
USD/SGD	1.353	0.16%	1.96%
China 5Y CDS	44	1	-9
Malaysia 5Y CDS	53	-5	-15
Indonesia 5Y CDS	90	-2	-19
Thailand 5Y CDS	34	-1	-3

	28-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	66.60	2.15%	-5.01%
Gold Spot (\$/oz)	1,414.76	1.08%	10.59%
CRB	182.48	2.15%	1.23%
GSCI	430.55	2.47%	-0.34%
VIX	15.82	7.25%	-9.60%
CT10 (bp)	2.014%	-4.00	-25.18
USD Swap Spread 10Y (bp)	-6	1	-1
USD Swap Spread 30Y (bp)	-33	1	-5
US Libor-OIS Spread (bp)	20	1	5
Euro Libor-OIS Spread (bp)	6	0	0
DJIA	26,527	-0.85%	4.65%
SPX	2,925	-0.99%	4.37%
MSCI Asiax	654	0.65%	5.94%
HSI	28,621	0.25%	4.49%
STI	3,329	0.43%	5.16%
KLCI	1,673	-0.16%	3.60%
JCI	6,353	0.27%	5.30%

## New issues:

- Sunshine 100 China Holdings Ltd has priced a USD200mn 2-year bond at 12.5%, in line with IPT.
- Mitsubishi Corporation has priced a USD500mn 5-year bond at T+84bps, tightening from IPT of T+105bps area.
- ESR Cayman Ltd has priced a USD175mn re-tap of its existing ESRCAY 7.875%'22s at 7.25%, tightening from IPT of 7.375% area.
- Shandong Guohui Investment Co., Ltd has mandated banks for its potential USD bond issuance.

<u>Date</u>		<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
27-Jun-19	Sunshine 100 China Holdings Ltd	USD200mn	2-year	12.5%
27-Jun-19	Mitsubishi Corporation	USD500mn	5-year	T+84bps
27-Jun-19	ESR Cayman Ltd	USD175mn	ESRCAY 7.875%'22s	7.25%
26-Jun-19	Qingdao Jiazhou Bay Development Group Co., Ltd	USD300mn	3-year	5.8%
26-Jun-19	Gansu Provincial Highway Aviation Tourism Investment Group Co. Ltd	USD300mn	3-year	3.95%
26-Jun-19	Adani Ports and Special Economic Zone Ltd	USD750mn	10-year	T+237.5bps
26-Jun-19	Weibo Corporation	USD800mn	5-year	T+172.5bps
26-Jun-19	Liuzhou Dongtong Investment & Development Co., Ltd	USD40mn	LZDTID 7.0%'22s	7.0%
26-Jun-19	New Momentum International Ltd	USD100mn	2-year	9.5%
26-Jun-19	Celestial Miles Ltd	USD1.3bn	NC4.5-perpetual	5.75%
25-Jun-19	Standard Chartered PLC	SGD750mn	NC5.25-perpetual	5.375%
25-Jun-19	Kookmin Bank	USD500mn	NC5-perpetual	4.35%
25-Jun-19	Qingdao Jiazhouwan Development Co., Ltd	USD300mn	3-year	5.8%

Source: OCBC, Bloomberg

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