

Apr 4, 2019

**Credit Headlines:** Singapore Post Ltd, CMA CGM

## **Market Commentary**

- The SGD swap curve steepened yesterday, as the shorter tenors traded 1bps lower while the longer tenors traded 1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 464bps.
- Flows in SGD corporates were moderate, with flows seen in HFCSP 4.2%'22s and ARASP 5.2%-PERPs.
- 10Y UST yields surged 5bps to close the session at 2.53%, the highest in a week and a half, after a possible end for the US-China trade war and a breakthrough for the Brexit gridlock sparked a sell-off in treasuries and major stock indexes moved higher on Wall Street. Strong economic data from China and Europe, offset by soft data from US, weighed in on market sentiments.

## **Credit Headlines**

### **Singapore Post Ltd (“SPOST”) | Issuer Profile: Positive (2)**

- SPOST announced that it will exit its loss making US ecommerce business, specifically Jagged Peak and TradeGlobal and further announcements will be made as appropriate. According to news sources, it was understood that no potential buyers or banker has been lined up yet.
- We note that SPOST had previously taken a hefty impairment of SGD185mn for TradeGlobal in Q4 FY2017. Assuming no further impairments, we expect operating profit to improve post the sale. At end-2018, management had shared that the carrying value of the US eCommerce business was ~SGD90-100mn. As such, we estimate that the US e-Commerce business comprised around 3.7% of SPOST's total assets, though likely to have increased since given that SPOST had [acquired key shareholders' units of Jagged Peak shares](#) in Feb 2019. (Company, OCBC)

### **CMA CGM (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Neutral (5)**

- CMA CGM has concluded the [additional acceptance](#) following the tender offer, it now holds 97.89% of Ceva Logistics (“CEVA”). We estimate net gearing to be ~1.7x, up from 1.4x at the end of 2018.
- We recently lowered CMA CGM's issuer profile to Neutral (5) from Neutral (4) on the expectation that the weaker financial metrics due to additional leverage from the acquisition more than offsets any potential synergies from the business combination.
- Separately, we note that CMA CGM had on 25 March 2019 ordered ten new container ships (including 5 powered by LNG and 5 fitted with scrubbers) to be delivered from 2021 in replacement of ten other vessels, and will be used on the Asia-Mediterranean lines. News sources estimate the cost at more than USD1.0bn. (Company, OCBC)

**Table 1: Key Financial Indicators**

	<u>4-Apr</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>
iTraxx Asiax IG	66	-5	-1
iTraxx SovX APAC	44	-4	-7
iTraxx Japan	58	-4	2
iTraxx Australia	71	-6	5
CDX NA IG	62	-4	2
CDX NA HY	107	1	1
iTraxx Eur Main	61	-7	-1
iTraxx Eur XO	252	-27	-25
iTraxx Eur Snr Fin	76	-7	0
iTraxx Sovx WE	19	-1	-2
AUD/USD	0.712	0.62%	0.37%
EUR/USD	1.124	0.19%	-0.86%
USD/SGD	1.353	0.24%	0.12%
China 5Y CDS	41	-4	-6
Malaysia 5Y CDS	56	-6	-4
Indonesia 5Y CDS	96	-10	-2
Thailand 5Y CDS	40	-3	-3

	<u>4-Apr</u>	<u>1W chg</u>	<u>1M chg</u>
Brent Crude Spot (\$/bbl)	69.27	2.14%	5.48%
Gold Spot (\$/oz)	1,292.41	0.15%	0.44%
CRB	186.85	1.58%	3.18%
GSCI	443.51	2.47%	4.84%
VIX	13.74	-9.31%	-6.08%
CT10 (bp)	2.513%	11.88	-20.89
USD Swap Spread 10Y (bp)	-2	-1	-3
USD Swap Spread 30Y (bp)	-25	-1	-5
US Libor-OIS Spread (bp)	20	0	0
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	26,218	2.31%	1.54%
SPX	2,873	2.42%	2.89%
MSCI Asiax	679	3.43%	3.11%
HSI	29,829	3.66%	3.00%
STI	3,307	3.21%	1.70%
KLCI	1,642	0.03%	-3.08%
JCI	6,488	0.67%	-0.19%

## New issues

- Tencent Holdings Ltd has priced a USD6.0bn deal across 5 tranches, with the USD1.25bn 5-year bond at T+95bps (tightening from IPT of +115bps area), the USD750mn 5-year FRN at 3-month LIBOR +91bps, the USD500mn 7-year bond at T+115bps (tightening from IPT of +140bps area), the USD3.0bn 10-year bond at T+145bps area (tightening from IPT of +165bps area) and the USD500mn 30-year bond at T+160bps (tightening from IPT of +185bps area).
- PT Bank Mandiri has priced a USD750mn 5-year bond at T+165bps, tightening from IPT of +190bps area.
- Mongolian Mining Corporation and Energy Resources LLC has priced a USD440mn 5NC3 bond (subsidiary guarantors: Mongolian Coal Corporation, Baruun Naran S.a.r.l., Khanged Exploration LLC, Mongolian Coal Corporation S.a.r.l., Energy Resources Corporation LLC, Tavan Tolgoi Airport LLC, Enreotechnology LLC, Ukhaa Khudag Water Supply LLC, United Power LLC, and Energy Resources Rail LLC) at 9.25%, tightening from IPT of 9.5% area.
- GMR Hyderabad International Airport Ltd has priced a USD300mn 5-year bond at 5.375%, widening from IPT of 5.25%-5.375% area.
- Xinjiang Transportation Construction Investment Holding Co Ltd has priced a USD160mn 3-year bond at 7.8%, tightening from IPT of 8.0% area.
- Future Land Development Holdings Ltd has priced a USD200mn 4NC2 bond (subsidiary guarantors: certain non-PRC restricted subsidiaries of issuer) at 6.15%, tightening from IPT of 6.625% area.
- Xinyuan Real Estate Co Ltd has scheduled investor meetings from 3 April for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
3-Apr-19	Tencent Holdings Ltd	USD1.25bn USD750mn USD500mn USD3.0bn USD500mn	5-year 5-year 7-year 10-year 30-year	T+95bps 3M-LIBOR+91bps T+115bps T+145bps T+160bps
3-Apr-19	PT Bank Mandiri	USD750mn	5-year	T+165bps
3-Apr-19	Mongolian Mining Corporation and Energy Resources LLC	USD440mn	5NC3	9.25%
3-Apr-19	GMR Hyderabad International Airport Ltd	USD300mn	5-year	5.375%
3-Apr-19	Xinjiang Transportation Construction Investment Holding Co Ltd	USD160mn	3-year	7.8%
3-Apr-19	Future Land Development Holdings Ltd	USD200mn	4NC2	6.15%
2-Apr-19	Resorts World Las Vegas LLC	USD1.0bn	10-year	CT10+222.5bps
2-Apr-19	Jisco SR Pearl Ltd	USD300mn	3-year	7.3%
2-Apr-19	BOC Aviation Ltd	USD750mn	5.5-year	CT5+135bps

Source: OCBC, Bloomberg

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