

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 3-5bps lower, and the belly and longer tenors traded 6bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 6bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 29bps to 528bps.
- Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, UOBSP 3.58%-PERPs, CS 5.625%-PERPs, FPLSP 4.98%-PERPs, BAERVX 5.9%-PERPs, KITSP 4.75%-PERPs, F 4.125%-PERPs, KEPSP 3.66%'29s, SOCGEN 6.125%-PERPs and LOGPH 6.125%'21s.
- 10Y USTs fell 14bps to 1.71%, after US President Donald Trump labelled China a currency manipulator after the Chinese government allowed the Chinese Yuan to breach the key seven-per-dollar level, signaling a full-blown and prolonged trade war. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -29bps.

Credit Summary:

- **[CWT International Ltd](#) | Unrated:** CWTI announced that the loan extension with respect to the facility agreement (which it had defaulted on) had become effective on 5 August 2019. The total loan amount of HKD1.63bn had been extended by 12 months from 5 August 2019. There has been no update to the proposed sale process of CWT Pte Ltd since 10 July 2019 and we will continue monitoring the situation.
- **[Olam International Ltd](#) | Neutral (5):** In April 2019, OLAM announced that it will be acquiring all the outstanding and issued shares of Dangote Flour Mills Plc (“Dangote”) that are not currently owned by Olam for NGN130bn (~SGD493mn per exchange rate then). OLAM has since revised the consideration to NGN120bn (~SGD461.6mn per today’s exchange rate). For now we are maintaining OLAM’s issuer profile at Neutral (5) though would review this along its results releases expected next week.
- **[Hyflux Ltd](#) | Unrated:** Hyflux has made further announcements and updates in relation to its restructuring process including the confirmation of 26 August 2019 as the deadline for HYF to enter into a definitive agreement with Utico FZC.
- **[First Real Estate Investment Trust](#) | Negative (6):** FIRT announced its 2Q2019 financials. Revenue increased marginally by 0.2% y/y to SGD29.0mn though net property income had declined 0.6% y/y to SGD28.3mn. We view improving sentiment and the higher external rating at PT Lippo Karawaci (“LK”) positively, with the rights issue at LK having completed in July 2019. Though on account of FIRT’s still significant structural links with LK, we are maintaining the issuer profile for FIRT at Negative (6).

Credit Research

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Asian Credit Daily**Credit Headlines****CWT International Ltd (“CWTI”) | Issuer Profile: Unrated**

- CWTI announced that the loan extension with respect to the facility agreement (which it had defaulted on) had become effective on 5 August 2019. The total loan amount of HKD1.63bn had been extended by 12 months from 5 August 2019.
- As a result, the enforcement actions, including the appointment of receivers have been terminated and released, with any property transferred to the security agent being returned. The control over the charged assets by receivers has also ceased. In our view, this would include the receivership over CWT Pte Ltd (“CWT SG”), issuer of the CWTSP 4.8% ‘20s.
- Trading in the shares of CWTI will remain suspended pending further release of an inside information announcement with respect to the default under the facility agreement.
- There has been no update to the proposed sale process of CWT Pte Ltd [since 10 July 2019](#) and we will continue monitoring the situation. (Company, OCBC)

Olam International Ltd (“OLAM”) | Issuer Profile: Neutral (5)

- In April 2019, [OLAM announced that it will be acquiring all the outstanding and issued shares of Dangote Flour Mills Plc](#) (“Dangote”) that are not currently owned by Olam (via its subsidiary Crown Flour Mills limited (“Crown”) for NGN130bn (~SGD493mn per exchange rate then), on a debt free, cash free basis. The consideration is to be adjusted for net working capital and net debt of Dangote as at 31 March 2019 or any later date that may be agreed and to exclude the existing Dangote shares held by Crown.
- On 5 August 2019, OLAM has announced that following the adjustments, OLAM had revised the consideration to NGN120bn (~SGD461.6mn per today’s exchange rate). While it is too early for us to say if Olam is able to turnaround the Dangote business, it is worth noting that this is a large impending outflow for the company. For now we are maintaining OLAM’s issuer profile at Neutral (5) though would review this along its results releases expected next week. (Company, OCBC)

Hyflux Ltd (“HYF”) | Issuer Profile: Unrated

- Hyflux has made further announcements and updates in relation to its restructuring process including the confirmation of 26 August 2019 as the deadline for HYF to enter into a definitive agreement with Utico FZC. As a reminder, [HYF in early July](#) jointly announced with Utico FZC that they are progressing to a definitive deal for investment in HYF by Utico FZC.
- This potential deal is likely the main consideration for the court’s extension of HYF’s debt moratorium from August 2nd to September 30. The next court hearing will be on 30 September at 10am. (Company, OCBC)

Asian Credit Daily**Credit Headlines (cont'd)****First Real Estate Investment Trust ("FIRT") | Issuer Profile: Negative (6)**

- FIRT announced its 2Q2019 financials. Revenue increased marginally by 0.2% y/y to SGD29.0mn though net property income had declined 0.6% y/y to SGD28.3mn. Per company this was due to higher property expenses at Sarang Hospital in South Korea and its Indonesian properties. There was no asset movements between these two periods.
- EBITDA (based on our calculation) was lower by 0.7% y/y, driven by the fall in net property income and slightly higher management and trustee fees. Despite higher average debt balance, finance cost was lower by 8.5% y/y at SGD5.0mn largely due to absence of write off of unamortised loan related costs. This was despite of somewhat higher average debt balance and likely higher cost of funding. For the full year 2018, weighted average cost of debt for FIRT was 3.84% against 2Q2019's weighted average cost of debt of 4.1%. EBITDA/Interest coverage was highly manageable at 5.1x (2Q2018: 4.7x).
- FIRT has SGD60mn of perpetuals outstanding, assuming that SGD3.4mn is paid in perpetual distribution p.a (SGD0.85mn per quarter) and taking 50% of this as interest, we find EBITDA/(Interest plus 50% perpetual distribution) at 4.7x.
- As at 30 June 2019, there is no short term debt coming due at FIRT, with FIRT successfully refinancing its SGD100mn of debt during the quarter. The next major refinancing requirements is only in 2021, consisting of SGD195.9mn in term loan facilities. That being said, the FIRTSP 5.68%-PERP faces first call in July 2021 as well, though for now we see the non-call risk at first call as high.
- All of FIRT's debt are now secured debt, indicating that FIRT had refinanced the SGD100mn unsecured debt with secured funding, thus reducing its financial flexibility to raise more secured debt down the road. As at 30 June 2019, reported aggregate leverage was 34.5%, unchanged from 1Q2019. Encouragingly, day sales outstanding has improved to only 67 days versus the 107 days in 1Q2019 and 101 days in 4Q2018.
- PT Lippo Karawaci ("LK") is still one of the Sponsor of FIRT (in addition to OUE Lippo Healthcare Ltd) and still the key tenant of FIRT. We view improving sentiment and the higher external rating at PT Lippo Karawaci ("LK") positively, with the rights issue at LK having completed in July 2019. Though on account of FIRT's still significant structural links with LK, we are maintaining the issuer profile for FIRT at Negative (6). (Company, CNBC Indonesia, OCBC)

Asian Credit Daily

Key Market Movements

	6-Aug	1W chg (bps)	1M chg (bps)		6-Aug	1W chg	1M chg
iTraxx Asiax IG	72	13	7	Brent Crude Spot (\$/bbl)	59.40	-8.22%	-7.52%
iTraxx SovX APAC	46	8	5	Gold Spot (\$/oz)	1,471.20	2.82%	5.42%
iTraxx Japan	61	6	3	CRB	171.49	-3.55%	-5.14%
iTraxx Australia	68	9	5	GSCI	401.90	-3.97%	-4.84%
CDX NA IG	62	9	7	VIX	24.59	91.66%	85.17%
CDX NA HY	106	-2	-1	CT10 (bp)	1.677%	-38.08	-35.66
iTraxx Eur Main	58	7	7				
				AUD/USD	0.678	-1.41%	-2.83%
iTraxx Eur XO	286	30	38	EUR/USD	1.124	0.80%	0.27%
iTraxx Eur Snr Fin	71	6	8	USD/SGD	1.385	-1.04%	-1.81%
iTraxx Sovx WE	16	0	0				
				DJIA	25,718	-5.52%	-4.47%
USD Swap Spread 10Y	-14	-5	-8	SPX	2,845	-5.83%	-4.87%
USD Swap Spread 30Y	-44	-7	-12	MSCI Asiax	600	-6.85%	-8.61%
US Libor-OIS Spread	31	9	16	HSI	26,151	-6.96%	-9.12%
Euro Libor-OIS Spread	7	2	2	STI	3,195	-4.54%	-5.12%
China 5Y CDS	55	15	13	KLCI	1,610	-2.28%	-4.29%
Malaysia 5Y CDS	62	14	9	JCI	6,176	-1.96%	-3.10%
Indonesia 5Y CDS	100	21	11				
Thailand 5Y CDS	34	3	-1				

Source: Bloomberg

New Issues

- There were no new issues or mandates.

Date	Issuer	Size	Tenor	Pricing
1-Aug-19	Central China Real Estate Ltd	USD300mn	3NC2	7.25%,
1-Aug-19	Sinopec Group Overseas Development (2018) Ltd	USD800mn USD700mn USD500mn	5-year 10-year 30-year	T+88bps T+110bps 3.68%
31-Jul-19	Fantasia Holdings Group Company Ltd	USD100mn	FTHDGR 11.75%'22s	12.4%
30-Jul-19	China Aoyuan Group Ltd	USD250mn	CAPG 7.95%'23s	6.5%
30-Jul-19	Dexin China Holdings Company Ltd	USD200mn	2-year	14.0%
30-Jul-19	Lotte Property & Development Co., Ltd	USD300mn	3-year FRN	3M-US LIBOR+77.5bps
30-Jul-19	Korea Land & Housing Corporation	USD100mn USD100mn	3-year FRN 2-year FRN	3M-US LIBOR+66bps 3M-US LIBOR+47bps
30-Jul-19	Emirates NBD PJSC	SGD20mn	7-year	3.06%.
29-Jul-19	Shinhan Financial Group Co Ltd	USD500mn	10.5NC5	T+150bps
29-Jul-19	Sino-Ocean Land Treasure IV Ltd	USD600mn	10-year	T+287.5bps
29-Jul-19	Malayan Banking Berhad	USD850mn	5-year FRN	3M-US LIBOR+80bps
29-Jul-19	National Australia Bank Ltd	USD1.5bn	15NC10	T+188bps
29-Jul-19	Hong Yang Group Co., Ltd	USD100mn	2-year	11.5%

Source: OCBC, Bloomberg

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