

Apr 9, 2019

Credit Headlines: City Developments Ltd, CITIC Envirotech Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 1bps lower while the belly and longer tenors traded 2bps lower (with the exception of the 12-year swap rate at 1bps lower).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 466bps.
- Flows in SGD corporates were heavy on corporate perpetuals, with large flows seen in FPLSP 4.98%-PERPS. The rest of the flows are DBSSP 3.98%-PERPs, FPLSP 4.38%-PERPs, ESRCA 6.75%'22s and SLHSP 4.5%'25s.
- 10Y UST yields rose 2bps to close the session at 2.52%, ahead of the heavy pipeline of government debt and corporate supply, with a USD78.0bn supply of US Treasury notes and a planned size of USD10.0bn from Saudi Aramco's inaugural bond deal.

Credit Headlines

City Developments Ltd ("CDL") | Issuer Profile: Positive (2)

- CDL, in a 40-60 JV with Intrepid Pte Ltd, has won a tender for a land parcel at Sims Drive for SGD383.5mn (SGD732 psf ppr). This will be developed for residential purposes.
- The credit impact to CDL is small given that CDL holds SGD2.3bn of cash and total assets amount to SGD20.9bn as of 4Q2018. (Company, URA, OCBC)

CITIC Envirotech Ltd ("CEL") | Issuer Profile: Neutral (5)

- CEL had voluntarily revised its audited financial statements for 2017 and restated its 2016 financials following a letter by the Accounting and Corporate Regulatory Authority ("ACRA") post review of CEL's financial statements.
- Among the various updates, the main change is reclassification of certain construction, upgrade and expansion works carried out on treatment and water supply plants that were originally recorded in property, plant and equipment ("PPE") into intangible assets and service concession receivables respectively. For 2017, SGD309.7mn was reclassified into intangible assets while SGD191.8mn was reclassified into service concession receivables. Similar reclassifications from PPE into intangible assets and service concession receivables were also reflected for 2016 and 2015.
- This reclassification does not impact income statement for 2017 and 2016 and there has been no change to book value equity. Cash flow from operations (before interest and tax) though is significantly lower at SGD0.9mn in 2017 and SGD22.4mn in 2016. Prior to the revision, this number was SGD275.2mn in 2017 and SGD356.5mn in 2016 respectively. Mainly, the change in trade payable was no longer a large source of cash inflow while investing outflow had shrunk to SGD269.2mn in 2017 and SGD113.1mn in 2016 (earlier SGD526.3mn in 2017 and SGD398.4mn in 2016). There was minimal change to net cash flow in 2017 and 2016.
- While cash flow from operations had shrunk in the updated financials, this does not differ from our fundamental view that the company's capital commitments remain high, which would need to be funded via debt as internal cash flow is insufficient to fund these needs. We will review the issuer profile in conjunction to the release of its annual report some time this month. (Company, OCBC)

Table 1: Key Financial Indicators

	9-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	67	-1	-2
iTraxx SovX APAC	44	-1	-7
iTraxx Japan	57	-1	-2
iTraxx Australia	71	-1	1
CDX NA IG	60	-2	0
CDX NA HY	107	0	1
iTraxx Eur Main	62	-1	0
iTraxx Eur XO	260	1	-23
iTraxx Eur Snr Fin	76	-3	2
iTraxx Sovx WE	19	-1	-2
AUD/USD	0.713	0.82%	0.83%
EUR/USD	1.127	0.54%	0.18%
USD/SGD	1.354	0.04%	0.27%
China 5Y CDS	43	1	-5
Malaysia 5Y CDS	57	-1	-6
Indonesia 5Y CDS	99	-1	-1
Thailand 5Y CDS	41	0	-4

	9-Apr	1W chg	1M chg
Brent Crude Spot (\$/bbl)	71.17	2.59%	8.26%
Gold Spot (\$/oz)	1,299.39	0.54%	0.47%
CRB	188.70	1.75%	4.45%
GSCI	451.44	1.98%	7.02%
VIX	13.18	-1.64%	-17.88%
CT10 (bp)	2.519%	4.45	-10.99
USD Swap Spread 10Y (bp)	-2	0	-4
USD Swap Spread 30Y (bp)	-24	0	-5
US Libor-OIS Spread (bp)	19	-1	0
Euro Libor-OIS Spread (bp)	6	0	0
DJIA	26,341	0.31%	3.50%
SPX	2,896	1.00%	5.57%
MSCI Asiax	681	1.16%	5.99%
HSI	30,163	2.03%	6.85%
STI	3,321	1.26%	3.92%
KLCI	1,642	0.55%	-2.27%
JCI	6,474	0.34%	1.43%

New issues

- China Evergrande Group has priced a USD1.25bn 3-year bond at 9.5% (in line with final guidance), a USD450mn 4NC2 bond at 10.0% (in line with final guidance) and a USD300mn 5NC3 bond at 10.5% (in line with final guidance).
- Sunac China Holdings Ltd has priced a USD750mn 4.5NC2.5 bond (subsidiary guarantors: certain of company's restricted subsidiaries outside the PRC) at 8.25%, tightening from IPT of 8.5% area.
- IndusInd Bank Ltd has priced a USD400mn 3-year bond at T+185bps, tightening from IPT of T+210bps area.
- Redsun Properties Group Ltd has priced a USD300mn 3NC2 bond at 9.95% (yield: 11.125% at 97.071).
- CK Hutchison International (19) Ltd (guarantor: CK Hutchison Holdings Ltd) has priced a USD750mn 5-year bond at T+95bps (tightening from IPT of T+115bps area) and a USD750mn 10-year bond at T+120bps (tightening from IPT of T+145bps area).
- LG Chem Ltd has priced a USD1.0bn deal across two-tranches, with a USD500mn 5.5-year bond at T+95bps (tightening from IPT of T+125bps area) and a USD500mn 10-year bond at T+117.5bps (tightening from IPT of T+145bps area).
- SMBC Aviation Capital Finance DAC (SMBCAC) has priced a USD500mn 5-year bond (SMBC Aviation Capital Limited) at T+125bps, tightening from IPT of T+145bps area.
- United Overseas Bank Ltd has priced a USD600mn 10NC5 bond at T+150bps, tightening from guidance of T+165bps area.
- DBS Group Holdings Ltd has scheduled investor meetings from 8 April for its potential USD 3-year bond issuance.
- IFC Development Ltd has scheduled investor meetings from 8 April for its potential USD bond issuance.
- Shriram Transport Finance Co Ltd has scheduled investor meetings from 10 April for its potential USD bond issuance.
- RiseSun Real Estate Development Co Ltd has scheduled investor meetings from 9 April for its potential USD bond issuance.
- Southwest Securities Co Ltd has scheduled investor meetings from 9 April for its potential USD bond issuance.

New issues (cont'd)

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
8-Apr-19	China Evergrande Group	USD1.25bn USD450mn USD300mn	3-year 4NC2 5NC3	9.5% 10.0% 10.5%
8-Apr-19	Sunac China Holdings Ltd	USD750mn	4.5NC2.5	8.25%
8-Apr-19	IndusInd Bank Ltd	USD400mn	3-year	T+185bps
8-Apr-19	Redsun Properties Group Ltd	USD300mn	3NC2	9.95%
8-Apr-19	CK Hutchison International (19) Ltd	USD750mn	5-year	T+95bps
8-Apr-19	LG Chem Ltd	USD500mn USD500mn	5.5-year 10-year	T+95bps T+117.5bps
8-Apr-19	SMBC Aviation Capital Finance DAC (SMBCAC)	USD500mn	5-year	T+125bps
4-Apr-19	Xinyuan Real Estate Co Ltd	USD200mn	2.5-year	14.2%
4-Apr-19	Frasers Property Treasury Pte Ltd	SGD400mn	NC5-perp	4.98%
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

Source: OCBC, Bloomberg

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