

Asian Credit Daily

Monday, March 02, 2020

Market Commentary

- The SGD swap curve bull-steepened yesterday, with the shorter tenors trading 11-15bps lower, while the belly and the longer tenors traded 9-11bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 8bps to 139bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 42bps to 565bps. The HY-IG Index Spread widened 35bps to 426bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, UBS 5.875%-PERPs, ESRCA 5.1%'25s, SPHSP 3.2%'30s, F 4.125%'24s, CMZB 4.875%'27s, CS 5.625%-PERPs, DBSSP 3.98%-PERPs, SLHSP 3.5%'30s, TMGSP 4.05%'25s, CAPLSP 3.65%-PERPs, HSBC 4.7%-PERPs, BAERVX 5.75%-PERPs and UBS 4.85%-PERPs.
- 10Y UST Yields fell 11bps to 1.15%, as Fed Chairman Jerome Powell said COVID-19 “poses evolving risks” to U.S. growth. Several banks also adjusted their Fed calls, hence further underpinning Treasuries. Investors, fearing for a global recession, dumped equities and flocked to safe-haven U.S. treasuries.

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Credit Summary:

- [CWT International Limited \("CWTI"\)](#) | **Issuer Profile: Unrated and CWT Pte Ltd ("CWT SG")** | **Unrated:** CWTI announced that it has received a notification letter from its controlling shareholder HNA Group Co., Ltd (“HNA”) regarding: (1) the setting up of the “HNA Joint Working Group of Hainan Province” which would fully assist and advance HNA’s risk management work rather than taking over it and (2) HNA has re-elected certain directors though there has been no change to control of HNA. Per CWTI, business operations of the group are continuing as usual in all material respects to the best of their knowledge. While uncertainty over payment of the CWTSP 4.8% ‘20s (due in March 2020) persist, we think there is a higher probability of repayment versus non-payment.
- [ESR-REIT \("EREIT"\)](#) | **Issuer Profile: Neutral (4):** EREIT announced that it has entered into a SGD200mn unsecured loan facility agreement. The proceeds of the facility will be applied towards general corporate funding purposes which could include refinancing of existing indebtedness, funding of asset acquisitions and asset enhancement initiatives and for working capital. As at 31 December 2019, EREIT had SGD160mn of short-term debt due, comprising of its two tranches of SGD bonds due in April and May 2020 respectively and we think this refinancing will go towards the refinancing of these bonds due, barring acquisitions at EREIT which has yet to be announced. Post the redemption of these bonds, we may cease coverage of EREIT on the back of its limited outstanding senior issuance.

Asian Credit Daily**Credit Headlines****CWT International Limited ("CWTI") | Issuer profile: Unrated and CWT Pte Ltd ("CWT SG") | Unrated**

- CWTI announced that it has received a notification letter from its controlling shareholder HNA Group Co., Ltd ("HNA") where the main contents are as follows:
 - To address remaining risk and protect interest of related parties, the People's Government of Hainan Province, at the request of HNA, has established the "HNA Joint Working Group of Hainan Province" which would fully assist and advance HNA's risk management work rather than taking over it.
 - HNA Group has re-elected certain directors though there has been no change to control of HNA while the Chairman remains the same.
- Per CWTI, business operations of the group are continuing as usual in all material respects to the best of their knowledge.
- While uncertainty over payment of the CWTSP 4.8% '20s (due in March 2020) persist, we think there is a higher probability of repayment versus non-payment. While CWT SG's financial services business has been negatively impacted from its change in ownership and the logistics segment had faced weakness from the broader macroeconomic environment, there has been no news coming out of industrial REITs we cover suggesting that CWT SG has not been able to pay their rents on time. CWT SG is a main tenant of two Singapore industrial REITs we cover. Separately, while we no longer have access to CWT SG's standalone financials, its asset scale (while have shrunk) suggests that that non-bond debt sources is significant vis-à-vis the SGD sole bond outstanding which suggest continued bank support post delisting. (Company, Bloomberg, OCBC)

ESR-REIT ("EREIT") | Issuer profile: Neutral (4)

- EREIT announced that it has entered into a SGD200mn unsecured loan facility agreement. The facility agreement consists of (1) SGD150mn term loan facility and (2) SGD50mn revolving loan facility. The proceeds of the facility will be applied towards general corporate funding purposes which could include refinancing of existing indebtedness, funding of asset acquisitions and asset enhancement initiatives and for working capital.
- As at 31 December 2019, EREIT had SGD160mn of short-term debt due, comprising of its two tranches of SGD bonds due in April and May 2020 respectively and we think this refinancing will go towards the refinancing of these bonds, barring acquisitions at EREIT which has yet to be announced.
- Post the redemption of these bonds, we may cease coverage of EREIT on the back of its limited outstanding senior issuance (single tranche of SGD50mn due in 2023).
- EREIT also has an outstanding SGD150mn tranche of perpetuals (with first call date in 2022) which we see as a form of inexpensive equity for the company. Based on the current interest rate trajectory as implied by forwards, we think EREIT will need to face higher financing cost on its perpetuals versus the current distribution rate of 4.6% p.a. which discourages a call in 2022. (Company, OCBC)

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Key Market Movements

	02-Mar	1W chg (bps)	1M chg (bps)		02-Mar	1W chg	1M chg
iTraxx Asiax IG	73	18	16	Brent Crude Spot (\$/bbl)	50.45	-10.39%	-13.26%
iTraxx SovX APAC	41	11	11	Gold Spot (\$/oz)	1,597.02	-3.76%	1.29%
iTraxx Japan	62	19	15	CRB	159.45	-8.70%	-6.38%
iTraxx Australia	69	15	16	GSCI	358.44	-10.51%	-7.81%
CDX NA IG	67	14	17	VIX	40.11	134.84%	112.90%
CDX NA HY	105	-2	-3	CT10 (%)	1.093%	-27.74	-41.37
iTraxx Eur Main	64	16	18				
iTraxx Eur XO	302	59	74	AUD/USD	0.653	-1.17%	-2.45%
iTraxx Eur Snr Fin	75	19	21	EUR/USD	1.106	1.88%	-0.02%
iTraxx Eur Sub Fin	157	42	42	USD/SGD	1.390	0.69%	-1.55%
iTraxx Sovx WE	14	4	3	AUD/SGD	0.908	1.86%	0.94%
USD Swap Spread 10Y	-4	3	0	ASX 200	6,348	-9.04%	-9.54%
USD Swap Spread 30Y	-39	-2	-7	DJIA	25,409	-12.36%	-10.07%
US Libor-OIS Spread	23	10	3	SPX	2,954	-11.49%	-8.41%
Euro Libor-OIS Spread	7	2	1	MSCI Asiax	638	-3.05%	-2.91%
				HSI	26,143	-2.53%	-0.64%
China 5Y CDS	53	14	13	STI	3,000	-4.52%	-4.87%
Malaysia 5Y CDS	63	19	22	KLCI	1,460	-2.02%	-4.65%
Indonesia 5Y CDS	102	37	36	JCI	5,440	-6.32%	-8.42%
Thailand 5Y CDS	38	9	9	EU Stoxx 50	3,329	-12.39%	-8.55%
Australia 5Y CDS	22	5	5				

Source: Bloomberg

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New Issues

- The Bank of East Asia Limited priced a USD140mn 3-year bond at 3m-US LIBOR+60bps.

Date	Issuer	Size	Tenor	Pricing
28-Feb-20	The Bank of East Asia Limited	USD140mn	3-year	3m-US LIBOR+60bps
27-Feb-20	RKPF Overseas 2019 (A) Limited (Guarantor: Road King Infrastructure Limited)	USD300mn	5NC3	5.9%
27-Feb-20	Geely Finance (Hong Kong) Limited (Guarantor: Zhejiang Geely Holding Group Company Limited)	USD400mn	5-year	T+200bps
27-Feb-20	Easy Tactic Ltd. (Guarantors including R&F Properties (HK) Co.)	USD400mn	4NC2	8.625%
27-Feb-20	Modern Land (China) Co., Limited	USD150mn	4NC3	11.95%
27-Feb-20	Excellence Commercial Management Ltd (Guarantor: Excellence Commercial Properties Co Ltd)	USD100mn	3-year	6.8%
26-Feb-20	XiAn Qujiang Culture Holdings Co.	USD300mn	3-year	5.5%
26-Feb-20	Bank of China Limited	USD2.82bn	PERPNC5	3.6%
26-Feb-20	Modern Land (China) Co., Ltd	USD150mn	4-year	12.85%
25-Feb-20	Minmetals Bounteous Finance (BVI) Limited (Guarantor: China Minmetals Corporation)	USD1bn	PERPNC4.5	3.375%
25-Feb-20	Bank of Communications (Hong Kong) Limited	USD500mn	AT1 PERPNC5	3.725%
25-Feb-20	Elect Global Investments Ltd. (Guarantor: Hysan Development Co.)	USD850mn	PERPNC5.5	4.1%

Source: OCBC, Bloomberg

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