

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors trading 2-3bps lower (with the exception of the 4-year tenor trading 1bps higher), while the belly and longer tenors traded 1-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 122bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 495bps. The HY-IG Index Spread widened 3bps to 373bps.
- Flows in SGD corporates were heavy, with flows in TMGSP 4.05%'25s, ARASP 5.6%-PERPs, ESRCA 6.75%'22s, GUOLSP 3.4%'25s, CAPLSP 3.65%-PERPs, UBS 4.85%-PERPs and SPHSP 3.2%'30s.
- 10Y UST Yields fell 1bps to 1.57%, with the yield curve at one point inverted, as investors remained nervous about the 2019 Novel Coronavirus.

Credit Research

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Credit Summary:

- [OUE Ltd \("OUE"\)](#) | **Issuer Profile: Neutral (5):** OUE announced that its indirect wholly-owned subsidiary has entered into a share purchase agreement to acquire an 88.43%-stake in PT Maxx Coffee Prima ("PT MCP"). PT MCP is a coffee chain with 75 outlets in Indonesia and Singapore and per company, allows it to scale up its food and beverage portfolio. We see this transaction as credit neutral given the small scale although are monitoring OUE's shift in exposure towards developing countries versus its traditional developed market credit profile.
- [Oxley Holdings Ltd \("OHL"\)](#) | **Issuer Profile: Neutral (5):** OHL reported 2QFY2020 results for the quarter ending 31 Dec. Revenue fell 12% y/y to SGD311.2mn mainly due to lower revenue contribution from Royal Wharf (which is substantially completed) though sales from Singapore increased. However, gross margins fell to 11.9% (2QFY2019: 13.1%). As such, profit before tax fell 89% y/y exacerbated by the absence of fair value gains. Net gearing improved q/q to 1.94x (1QFY2020: 2.02x) helped by disposals (investment property in Dublin and shares in United Engineers Ltd).

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Credit Headlines

OUE Ltd (“OUE”) | Issuer Profile: Neutral (5) Oxley Holdings Ltd (“OHL”) | Issuer Profile: Neutral (5)

- OUE announced that its indirect wholly-owned subsidiary has entered into a share purchase agreement to acquire an 88.43%-stake in PT Maxx Coffee Prima (“PT MCP”) from the vendors PT Inti Anugerah Pratama and PT Ciptadana Capital for an aggregate consideration of IDR229bn (~SGD23.1mn). The vendors are entities whom the controlling shareholders have a deemed interest of more than 30% in.
- Following completion, PT MCP would be an indirect subsidiary of OUE. PT MCP is a coffee chain with 75 outlets in Indonesia and Singapore and per company, allows it to scale up its food and beverage portfolio. Earlier in September 2019, OUE had lent SGD10mn to PT MCP at an interest rate of 5.44% p.a.
- We see this transaction as credit neutral given the small scale although monitoring OUE’s shift in exposure towards developing countries versus its traditionally developed market credit profile. (Company, OCBC).

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Neutral (5)

- OHL reported 2QFY2020 results for the quarter ending 31 Dec. Revenue fell 12% y/y to SGD311.2mn mainly due to lower revenue contribution from Royal Wharf (which is substantially completed) though sales from Singapore increased.
- Sales inched up q/q with 69% of the units worth SGD3.02bn in Singapore sold (1QFY2020: SGD2.85bn) with more sales recorded at Riverfront Residences, Affinity at Serangoon, Kent Ridge Hill Residences and Mayfair Modern.
- However, we note gross margins also fell to 11.9% (2QFY2019: 13.1%). As such, profit before tax fell 89% y/y to SGD4.9mn, exacerbated by the absence of fair value gain on revaluation of a property in Dublin of SGD37.3mn in 2QFY2019.
- Net gearing improved q/q to 1.94x (1QFY2020: 2.02x) helped by the disposal of investment property in Dublin and disposal of shares in United Engineers Ltd. As mentioned in our [Credit Outlook 2020](#), we expect net gearing to fall further to ~1.5x when OHL receives the cash proceeds from the property projects and remaining proceeds from Chevron House (estimated proceeds: SGD295mn). While OHL faces SGD828.3mn short term maturities, we remain comfortable. We expect SGD184mn in investment property loans to be refinanced, with the remainder expected to be repaid from cash holdings of SGD323.8mn, and proceeds from Chevron House, Royal Wharf (SGD367mn), Dublin Landings (SGD123.1mn), The Peak (SGD214.2mn). (Company, OCBC)

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Key Market Movements

	11-Feb	1W chg (bps)	1M chg (bps)		11-Feb	1W chg	1M chg
iTraxx Asiax IG	52	-2	-1	Brent Crude Spot (\$/bbl)	53.27	-2.17%	-18.02%
iTraxx SovX APAC	29	0	2	Gold Spot (\$/oz)	1,571.39	1.19%	1.52%
iTraxx Japan	44	-2	0	CRB	168.87	0.49%	-8.29%
iTraxx Australia	49	-2	2	GSCI	382.18	0.22%	-11.15%
CDX NA IG	45	-2	1	VIX	15.04	-16.30%	19.75%
CDX NA HY	109	0	0	CT10 (%)	1.570%	4.24	-25.00
iTraxx Eur Main	43	-1	0				
iTraxx Eur XO	213	-4	6	AUD/USD	0.669	-0.74%	-3.11%
iTraxx Eur Snr Fin	50	-2	-1	EUR/USD	1.091	-1.21%	-2.01%
iTraxx Eur Sub Fin	103	-6	-4	USD/SGD	1.389	-1.32%	-3.03%
iTraxx Sovx WE	10	-1	-1	AUD/SGD	0.929	-0.62%	0.06%
USD Swap Spread 10Y	-5	-1	0	ASX 200	7,064	1.66%	1.95%
USD Swap Spread 30Y	-33	0	-1	DJIA	29,277	3.09%	1.57%
US Libor-OIS Spread	17	1	-10	SPX	3,352	3.18%	2.66%
Euro Libor-OIS Spread	6	0	0	MSCI Asiax	678	1.11%	-3.65%
				HSI	27,241	3.36%	-4.88%
China 5Y CDS	37	1	6	STI	3,163	1.50%	-2.85%
Malaysia 5Y CDS	38	0	4	KLCI	1,543	1.37%	-3.06%
Indonesia 5Y CDS	64	1	3	JCI	5,952	1.15%	-5.15%
Thailand 5Y CDS	27	0	5	EU Stoxx 50	3,793	3.60%	0.10%
Australia 5Y CDS	17	0	0				

Source: Bloomberg

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New Issues

- CICC Hong Kong Finance 2016 MTN Limited (Guarantor: China International Capital Corporation (Hong Kong) Limited) priced a USD1bn 3-year bond at 3m-US LIBOR+90bps, tightening from IPT of 3m-US LIBOR+120bps area.
- The Korea Development Bank priced a USD750mn 3-year bond at 3m-US LIBOR+35bps and a USD750mn 5-year bond at T+45bps, tightening from IPT of 3m-US LIBOR+60bps and T+70bps area respectively.
- Theta Capital Pte Ltd (Parent guarantor: PT Lippo Karawaci) priced a USD95mn re-tap of its LPKRIJ 8.125%'25s at 7.80%, tightening from IPT of 8.0% area.
- Zhongliang Holdings Group Company Limited priced a USD250mn 364-day bond at 9.0%, tightening from IPT of 9.375% area.
- Far East Horizon Ltd arranged investor calls commencing Feb 10 for its proposed USD bond offering.
- Chouzhou International Investment Limited and guarantor Yiwu State-owned Capital Operation Co. arranged investor calls commencing Feb 10 for its proposed USD bond offering.
- Huaneng Power International, Inc. arranged investor calls commencing Feb 11 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
10-Feb-20	CICC Hong Kong Finance 2016 MTN Limited (Guarantor: China International Capital Corporation (Hong Kong) Limited)	USD1bn	3-year	3m-US LIBOR+90bps
10-Feb-20	The Korea Development Bank	USD750mn USD750mn	3-year 5-year	3m-US LIBOR+35bps T+45bps
10-Feb-20	Theta Capital Pte Ltd (Parent guarantor: PT Lippo Karawaci)	USD95mn	LPKRIJ 8.125%'25s	7.80%
10-Feb-20	Zhongliang Holdings Group Company Limited	USD250mn	364-day	9.0%
06-Feb-20	CSSC Capital 2015 Limited (Guarantor: CSSC (Hong Kong) Shipping Company Limited)	USD400mn USD400mn	5-year 10-year	T+110bps T+137.5bps
06-Feb-20	ANZ New Zealand (International) Ltd. (Guarantor: ANZ Bank New Zealand Ltd.)	USD750mn USD750mn	3-year 10-year	T+48bps T+93bps
06-Feb-20	Indian Railway Finance	USD700mn USD300mn	10-year 30-year	3.249% 3.95%
05-Feb-20	Central China Real Estate Limited	USD300mn	364-day	7.0%
05-Feb-20	Pioneer Reward Limited (Guarantor: Huatai Securities Company Limited)	USD400mn	3-year	3m-US LIBOR+95bps

Source: OCBC, Bloomberg

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