

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 8-16bps higher (with the exception of the 1-year tenor trading 4bps lower), while the belly and the longer tenors traded 17-20bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 7bps to 161bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 662bps. The HY-IG Index Spread widened 3bps to 501bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, NOLSP 4.65%'20s, UBS 4.85%-PERPs, UBS 5.875%-PERPs, FPLSP 4.98%-PERPs, HSBC 5%-PERPs, SPHSP 3.2%'30s, BACR 3.75%'30s, STANLN 5.375%-PERPs, BNP 3.65%'24s, DBSSP 3.98%-PERPs, ESRCAY 6.75%'22s and HSBC 4.7%-PERPs.
- 10Y UST Yields gained 26bps from all-time lows to 0.81%, as talks of fiscal stimulus boosted investor confidence and President Trump was supposed to announce a “major” stimulus package on Tuesday afternoon.

Credit Summary:

- [Wharf \(Holdings\) Limited \(“WHARF”\)](#) | **Issuer Profile: Neutral (3)**: WHARF announced 2019 results. Revenue fell 19.9% y/y, dragged by Development Properties (“DP”) in Mainland China. EBITDA fell by 8.7% y/y while profit for the year was down significantly to HKD3.5bn from HKD6.7bn. Net debt fell by 26% to HKD19.0bn at end 2018, leading to a lower net gearing of 13%. Looking ahead, for 1H2020, WHARF expects: slower DP progress due to halted construction and sales and government instructed closures, rental reliefs to tenant to hurt Investment Properties performance, and hotel revenues falling to less than 5% of what they were the same time last year. For its logistics segment, production base in South China is still far from full strength for cargo flow. WHARF appears pessimistic with the view that 2Q may not fare much better even if markets were to return to normal quickly and most would not look for stabilisation before late 2020.

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Asian Credit Daily**Credit Headlines****Wharf (Holdings) Limited ("WHARF") | Issuer Profile: Neutral (3)**

- WHARF announced 2019 results. Revenue fell 19.9% y/y to HKD16.9bn dragged by Development Properties ("DP") in Mainland China which saw its contribution fall by 45.4% y/y to HKD7.1bn due to fewer project completions. The drag more than offset revenue growth of 14.1% y/y to HKD4.1bn from Investment Properties ("IP"), specifically Chengdu International Finance Square ("IFS") and Changsha IFS.
- For DP, contracted sales in Mainland China fell by 13% to RMB19.9bn from RMB22.8bn in 2018 even though net order book rose 26% to RMB27.4bn from RMB21.8bn a year ago. While contracted sales in Hong Kong was HKD2.8bn, up from HKD1.9bn in 2018, sales recognition fell by 29% to HKD1.2bn as HKD1.2bn was deferred under the new accounting standard that requires recognition at the time of assignment instead of signing of formal agreement.
- EBITDA fell by a smaller extent of 8.7% y/y to HKD8.6bn (relative to revenue) on the back of lower direct costs and operating expenses (32.4% y/y to HKD6.5bn). However, profit for the year was down significantly to HKD3.5bn from HKD6.7bn due to net provision for diminution in value of HKD2.4bn made in respect of certain development properties held by subsidiaries in Mainland China as the government implemented strict controls on selling price.
- Net debt fell by 26% to HKD19.0bn from HKD25.6bn at end 2018, leading to a lower net gearing of 13%. This was due to a higher cash balance of HKD27.3bn compared to HKD17.4bn a year ago from the sales of Mainland DP. Excluding non-recourse debt, WHARF's own net debt is HKD13.1bn. Adjusted net gearing would be very manageable at 9.0%.
- Looking ahead, for 1H2020, WHARF expects
 - Slower DP progress due to halted construction and sales and government instructed closures;
 - Rental reliefs to tenant to hurt IP performance;
 - Hotel revenues falling to less than 5% of what they were the same time last year, with an estimated 98% of 2019's revenue lost.
 - For its logistics segment, the production base in South China is still far from full strength for cargo flow.
 - WHARF shared that business for 1Q2020 is already consigned to a washout and appears pessimistic with the view that 2Q may not fare much better even if markets were to return to normal quickly and most would not look for stabilisation before late 2020.
- We maintain Wharf's issuer profile at Neutral (3) for now. (Company, OCBC)

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Key Market Movements

	11-Mar	1W chg (bps)	1M chg (bps)		11-Mar	1W chg	1M chg
iTraxx Asiax IG	93	26	43	Brent Crude Spot (\$/bbl)	37.57	-26.52%	-30.44%
iTraxx SovX APAC	59	20	31	Gold Spot (\$/oz)	1,657.76	1.27%	5.73%
iTraxx Japan	88	27	44	CRB	150.66	-8.65%	-11.18%
iTraxx Australia	98	31	50	GSCI	318.91	-14.05%	-17.07%
CDX NA IG	103	38	58	VIX	47.3	28.46%	211.59%
CDX NA HY	99	-7	-10	CT10 (%)	0.713%	-33.91	-88.75
iTraxx Eur Main	100	37	58				
iTraxx Eur XO	460	170	249	AUD/USD	0.650	-1.96%	-3.23%
iTraxx Eur Snr Fin	116	44	67	EUR/USD	1.133	1.70%	3.75%
iTraxx Eur Sub Fin	235	93	133	USD/SGD	1.391	-0.48%	-0.35%
iTraxx Sovx WE	23	9	13	AUD/SGD	0.904	1.52%	2.98%
USD Swap Spread 10Y	4	5	9	ASX 200	5,835	-7.75%	-17.29%
USD Swap Spread 30Y	-42	-2	-9	DJIA	25,018	-3.47%	-14.54%
US Libor-OIS Spread	39	18	25	SPX	2,882	-4.03%	-14.16%
Euro Libor-OIS Spread	9	2	4	MSCI Asiax	625	-4.65%	-8.71%
				HSI	25,393	-3.39%	-7.94%
China 5Y CDS	62	18	27	STI	2,833	-6.19%	-10.80%
Malaysia 5Y CDS	101	48	65	KLCI	1,430	-3.26%	-7.80%
Indonesia 5Y CDS	148	62	86	JCI	5,221	-5.40%	-12.32%
Thailand 5Y CDS	60	21	34	EU Stoxx 50	2,910	-13.70%	-23.94%
Australia 5Y CDS	34	5	13				

Source: Bloomberg

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New Issues

- Huantaihu International Investment Co., Ltd. (Guarantor: Huzhou Economic Development Group Co., Ltd.) priced a USD200mn 3-year bond at 4.5%.
- Beijing Capital Group Co., Ltd arranged investor calls commencing 10 Mar for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
10-Mar-20	Huantaihu International Investment Co., Ltd. (Guarantor: Huzhou Economic Development Group Co., Ltd.)	USD200mn	3-year	4.5%
09-Mar-20	Aspial Corporation Limited	SGD50mn	3-year	6.5%
09-Mar-20	PSA Treasury Pte. Ltd. (Guarantor: PSA International Pte Ltd)	SGD500mn	10-year	1.63%
06-Mar-20	Zensun Enterprises Limited	USD200mn	2.5-year	13%
06-Mar-20	Xi'an Aerospace Science & Technology Industry Company	USD200mn	3-year	6.5%
05-Mar-20	Industrial and Commercial Bank of China Limited of Luxembourg	USD150mn	3-year	3m-US LIBOR+50bps
05-Mar-20	Haitong International Finance Holdings 2015 Limited (Guarantor: Haitong Securities Co.,Ltd.)	USD670mn	5-year	T+142.5bps
05-Mar-20	MCC Holding (Hong Kong) Corporation Limited (Guarantor: Metallurgical Corporation of China Ltd.)	USD400mn	PERPNC3	3.25%
05-Mar-20	Lodha Developers International Ltd. (Guarantors: Macrotech Developers Limited and Lodha Developers UK limited)	USD200mn	3NC1	14%
04-Mar-20	Sinic Holdings (Group) Company Limited	USD280mn	364-day	13.25%
04-Mar-20	Jingrui Holdings Limited	USD180mn	2-year	12.75%
03-Mar-20	CNAC (HK) Finbridge Company Limited (Guarantor: China National Chemical Corporation Limited)	USD200mn	HAOHUA 3.375%'24s	2.65%
03-Mar-20	Gemstones International Ltd (Guarantors include LVGEM (China) Real Estate Investment Company Ltd.)	USD450mn	3-year	12.0%
03-Mar-20	Korea Development Bank Singapore	USD100mn	2-year	3m-US LIBOR+33.5bps

Source: OCBC, Bloomberg

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