

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 4-7bps lower, while the belly and the longer tenors traded 8-9bps lower (with the exception of the 7-year tenor trading 6bps lower and 12-year tenor trading 2bps lower).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1.5bps to 126bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 514bps. The HY-IG Index Spread widened 7bps to 388bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, UBS 4.85%-PERPs, CS 5.625%-PERPs, F 4.125%'24s, STANLN 5.375%-PERPs, ARASP 5.2%-PERPs, KITSP 4.75%-PERPs, HSBC 4.7%-PERPs, TMGSP 4.05%'25s, BACR 3.75%'30s, BAERVX 5.75%-PERPs, CATHAY 3.375%'23s and CMZB 4.2%'28s.
- 10Y UST Yields fell 1.5bps to 1.34% and at one point hit a record low of 1.299% intraday, as investors continue to be worried about the global spread of COVID-19 and the accompanying economic risks. Officials in Nassau County, a New York City suburb, said they were monitoring over 80 people who had visited China and may have come in contact with COVID-19. The German health minister also predicted a possible epidemic in the country.

Credit Summary:

- [Oxley Holdings Ltd \(“OHL”\)](#) | **Issuer Profile: Neutral (5):** OHL revealed that The Peak has been facing significant project delays due to mismanagement by the previous main contractor. The project is expected to deliver SGD214mn in progress billings but we expect the completion and handover to be delayed. Further delays to this project will be credit negative though the issuance of SGD75mn OHLSP 6.5% '23 should alleviate the liquidity situation.
- [BreadTalk Group Ltd \(“BGL”\)](#) | **Issuer Profile: Negative (6):** BGL has come out of trading halt and responded to SGX’s queries. While an event of default has occurred, the trustee of BREAD 4% '23s has yet to serve the notice of acceleration to BGL. [As we think there is a good chance that BGL will be eventually privatised](#) (which in turn will trigger the delisting put), we think bondholders may not be in a hurry to accelerate repayments. Separately, BGL has appointed Mr Chong Chow Pin as the Group CFO.
- [City Developments Ltd \(“CDL”\)](#) | **Issuer Profile: Neutral (3):** CDL is looking to renegotiate the deal with Sincere Property Group (“Sincere”) given the slowdown in China’s growth and Sincere’s lacklustre retail business performance. We think the deal likely refers to the acquisition of up to ~24% equity stake in Sincere. Meanwhile, CDL is exploring to list a REIT on the SGX which will hold its UK commercial properties.
- [Perennial Real Estate Holdings Ltd \(“PREH”\)](#) | **Issuer Profile: Negative (6):** PREH is acquiring a further 14.7%-stake in Xi’an Perennial Chengtuo West Real Estate Co Ltd and we believe PREH may have acquired the stake below book. Separately, PREH responded to SGX queries on repayment of SGD1.3bn of debt coming due in 2020. The acquisition is somewhat credit negative as it diverts cash balances while near-term debt maturity is elevated.

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Credit Headlines

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

- OHL revealed that The Peak has been facing significant project delays due to mismanagement by the previous main contractor which was in financial difficulties. OHL had terminated this contractor in Oct 2019.
- OHL has since engaged Sino Great Wall International Engineering Co Ltd as the new contractor, which will be commencing work.
- As such, we expect delays to the completion and handover of The Peak. Successful handover of this project is important as it the project is expected to deliver SGD214mn in progress billings.
- Further delays to this project will be credit negative though the issuance of SGD75mn OHLSP 6.5% '23 should alleviate the liquidity situation.
- We continue to hold OHL at a Neutral (5) Issuer Profile, albeit with a cautious outlook in view of completion/handover risks. (Company, OCBC)

BreadTalk Group Ltd (“BGL”) | Issuer Profile: Negative (6)

- BGL has come out of trading halt and responded to SGX’s queries. While an event of default has occurred, the trustee of BREAD 4% '23s has yet to serve the notice of acceleration to BGL. If the noticed were to be served, the bonds are immediately repayable at par plus accrued interest.
- Amongst the conditions to serve the notice, the Trustee requires holders of not less than 25% in principal amount to make the request in writing.
- [As we think there is a good chance that BGL will be eventually privatised](#) (which in turn will trigger the delisting put), we think bondholders (in general) may not be in a hurry to accelerate repayments.
- Separately, BGL has appointed Mr Chong Chow Pin (“Mr Chong”) as the Group CFO, replacing Mr Chan Ying Jian who has tendered his resignation. Mr Chong is currently serving as the director of Kyber Ventures and was the CFO of Innovalues Group (2017-2018) and Jaya Holdings (2012-2017). (Company, OCBC)

City Developments Ltd (“CDL”) | Issuer Profile: Neutral (3)

- According to Bloomberg, CDL is looking to renegotiate the deal with Sincere Property Group (“Sincere”) given the slowdown in China’s growth and Sincere’s lacklustre retail business performance. We think the deal likely refers to the acquisition of up to ~24% equity stake in Sincere.
- As a recap, CDL has already subscribed for USD230mn (~SGD320mn) bonds issued by Sincere and SGD657.9mn loans made to Sincere, as well as acquired Shanghai Hongqiao Sincere Centre for RMB1.75bn (SGD344mn).
- Meanwhile, CDL is exploring to list a REIT with an AUM of GBP1bn on the SGX which will hold its UK commercial properties.
- If the acquisition of Sincere stretches CDL’s credit metrics very significantly beyond 80% net gearing levels (end-2019: 63%), [as mentioned, we may revise CDL’s Issuer Profile lower](#). Conversely, listing a REIT should free up cash proceeds for CDL, which will be a credit positive. We continue to hold CDL at a Neutral (3) Issuer Profile. (Company, OCBC)

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Credit Headlines

Perennial Real Estate Holdings Ltd (“PREH”) | Issuer Profile: Negative (6)

- PREH is acquiring a further 14.7%-stake in Xi’an Perennial Chengtou West Real Estate Co Ltd (“Xi’an West”), thereby increasing its stake to 65.7% (from 51%). The acquisition cost is RMB190mn (SGD36.7mn). We note that the net assets of Xi’an West as of 31 Dec 2018 was SGD361.8mn (31 Dec 2017: SGD324.7mn). Based on this, we believe PREH may have acquired the stake below book (14.7% of SGD361.8mn is SGD53.2mn).
- The seller of the stake is Shanghai Summit Pte Ltd, which is owned by Shanghai-based property developer Tong Jinqun. We believe the remaining shareholder owning 34.3%-stake is Xi’an North HSR Integrated Development Co Ltd, which is unrelated to PREH.
- Separately, PREH responded to SGX queries on repayment of SGD1.3bn of debt coming due in 2020.
 - In relation to the SGD580mn bonds coming due, PREH intends to use unutilised bank lines, new MTN issues or bank loan as well as proceeds from planned divestments in 2020 to repay the bonds.
 - In relation to the bank loans coming due, most of these are due in 4Q2020 and PREH will be discussing with the banks to renew the facilities.
- The acquisition is somewhat credit negative as it diverts cash balances while near-term debt maturity is elevated. We continue to hold PREH at a Negative (6) Issuer Profile. (Company, OCBC)

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Key Market Movements

	27-Feb	1W chg (bps)	1M chg (bps)		27-Feb	1W chg	1M chg
iTraxx Asiax IG	57	9	-2	Brent Crude Spot (\$/bbl)	52.75	-11.06%	-11.08%
iTraxx SovX APAC	31	5	2	Gold Spot (\$/oz)	1,650.29	1.90%	4.31%
iTraxx Japan	50	7	3	CRB	166.28	-5.25%	-3.98%
iTraxx Australia	57	11	7	GSCI	376.20	-6.80%	-5.56%
CDX NA IG	57	12	8	VIX	27.56	91.66%	51.18%
CDX NA HY	107	-2	-2	CT10 (%)	1.307%	-20.81	-30.09
iTraxx Eur Main	52	10	6				
iTraxx Eur XO	258	42	29	AUD/USD	0.655	-0.92%	-3.06%
iTraxx Eur Snr Fin	59	11	5	EUR/USD	1.091	1.13%	-1.02%
iTraxx Eur Sub Fin	122	23	8	USD/SGD	1.397	0.28%	-2.82%
iTraxx Sovx WE	12	2	0	AUD/SGD	0.916	1.16%	0.25%
USD Swap Spread 10Y	-5	1	1	ASX 200	6,633	-7.39%	-6.45%
USD Swap Spread 30Y	-37	-2	-5	DJIA	26,958	-8.15%	-5.53%
US Libor-OIS Spread	16	4	-5	SPX	3,116	-7.97%	-3.92%
Euro Libor-OIS Spread	6	1	0	MSCI Asiax	655	-4.21%	-4.90%
				HSI	26,510	-3.98%	-5.15%
China 5Y CDS	39	5	-4	STI	3,095	-3.25%	-4.48%
Malaysia 5Y CDS	44	9	2	KLCI	1,500	-2.31%	-4.66%
Indonesia 5Y CDS	68	9	0	JCI	5,656	-4.82%	-7.78%
Thailand 5Y CDS	31	5	9	EU Stoxx 50	3,578	-7.44%	-2.72%
Australia 5Y CDS	18	2	2				

Source: Bloomberg

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New Issues

- XiAn Qujiang Culture Holdings Co. priced a USD300mn 3-year bond at 5.5%, tightening from IPT of 5.8% area.
- Bank of China Limited priced a USD2.82bn AT1 PERPNC5 at 3.6%, tightening from IPT of 3.95% area.
- Modern Land (China) Co., Ltd priced a USD150mn 4-year bond at 12.85%.

Date	Issuer	Size	Tenor	Pricing
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%
24-Feb-20	China Overseas Finance (Cayman) VIII Ltd. (Guarantor: China Overseas Land & Investment Ltd.)	USD300mn USD500mn USD200mn	5-year 10-year 15-year	T+123bps T+145bps T+175bps
24-Feb-20	Hong Seng Limited (Parent Guarantor: Hong Yang Group Company Limited)	USD275mn	2.5-year	10.875%
24-Feb-20	Bocom Leasing Management Hong Kong Co. (Keepwell and asset purchase deed provider: Bank of Communications Financial Leasing Co.)	USD300mn USD500mn	3-year 5-year	T+83bps T+95bps
24-Feb-20	BPHL Capital Management Limited (Guarantor: Beijing Properties (Holdings) Limited)	USD600mn	3-year	5.95%
24-Feb-20	Greenland Global Investment Limited (Guarantor: Greenland Holding Group Co Ltd)	USD300mn	4-year	6.75%
24-Feb-20	Oxley MTN Pte. Ltd. (Guarantor: Oxley Holdings Ltd)	SGD75mn	3-year	6.5%
21-Feb-20	Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd)	USD88mn	YANGOG 12.5%'21s	12.5%

Source: OCBC, Bloomberg

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