

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

- *We saw selective buy enquires as UST stabilized overnight. New issue GRWALL 4.25 up 157. There are also some interests in AT1s.*
- **Singapore Technology Engineering:** *FV of the proposed 5-yr and 10-yr issues to be T+70-75bp and T 80-85bp vs IPT of T+100bp and T+135bp, respectively. These represent 15-20bps pick-up over TEMASEs. See below.*
- **EHOUSE:** *expects to commerce Restructuring via Cayman Scheme asap as it received >75% USD bonds principal in support of RSA. See below.*

❖ Trading desk comments 交易台市场观点

Chinese credit performed weak in symphony with global equities yesterday. In particular, RONXIN curve fell 4-7 pts after the company failed to pay coupon due yesterday on its 8.75% Oct'22 notes. Other property names like TPHL/AGILE/SHIMAO curve also down 3-4pts. Still, we saw DEXICN rose 1-2pts, as it fully redeemed its senior notes (USD188.44mn) due Apr'22 at maturity.

Chinese IG market performed weak with broad based decline in the long-end as well. In SOE sector, CHGRID/HAOHUA widened 8-10bps. TMT names like BABA/TENCNT also widened 5-15bps. In comparison, we saw limited selling in recent new issue BNKEA 4.875 T2 and NANYAN 6.5 AT1.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
REDPRO 11 08/06/22	28.7	1.8	RONXIN 8 3/4 10/25/22	29.2	-6.9
DEXICN 9.95 12/03/22	66.5	1.7	RONXIN 8.1 06/09/23	20.0	-4.7
JINKE 6.85 05/28/24	36.0	1.4	RONXIN 8.95 01/22/23	21.2	-4.7
RGETDC 5.95 01/22/23	100.2	1.3	RONXIN 7.35 12/15/23	19.6	-4.5
LSHSID 7 06/27/22	100.7	1.3	RONXIN 6 3/4 08/05/24	16.1	-4.2

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market ended higher yesterday, with the Nasdaq ending sharply higher after Twitter agreed to be bought by Elon Musk. The S&P (+0.57%), Nasdaq (+1.29%), and Dow (+0.70%) closed higher. However, we saw uncertainty reverberate across world markets, with Chinese shares marking their biggest slump since a pandemic-led selling in February 2020 and European stocks falling to their lowest in a month on fears of strict restrictions in China. Treasury yields pulled back slightly, with the 1/5/10/30 yield reaching 2.03/2.84/2.81/2.88% respectively.

❖ Desk analyst comments 分析员市场观点

➤ Ehouse – Restructuring via Cayman Scheme

Ehouse announced more than 75% of outstanding principal amount of USD notes validly submitted executed Accession Deeds to the Restructuring Support Agreement yesterday. The company expects to commence Restructuring under the Cayman Scheme as soon as practicable.

According to our discussion with management, Ehouse targets Cayman court hearing in July 2022. When its Cayman Scheme is approved by Scheme Creditors and Cayman court, the company will obtain a Scheme Sanction Order from court, and the Restructuring will become effective and binding to all noteholders. After that, USD noteholders will receive upfront cash repayment and restructured new notes.

Summary of Restructuring Support Agreement

- Instruction Fee: 1pt
- Upfront cash: 6pts
- New Notes: 94pts in principal amount
- Long stop date: 11 Oct'22
- Accrued Interest: in cash up to 18 Apr '22, and in new notes from 18 Apr '22 up to Restructuring Effective Date
- Amortizing repayment schedule: 10%, 6%, 8%, 10% at end of 1 year, 18 months, 2 year and 30 months. Remaining 66% on maturity date on 14 Apr' 2025.

➤ **Singapore Technologies Engineering (STE) new issue colour**

The proposed issues

- Issuer: ST Engineering Urban Solutions USA Inc.
- Guarantor: Singapore Technologies Engineering Ltd.
- Ranking: Senior unsecured
- Guarantor ratings: Aaa/AA+ by Moody's and S&P
- Size: USD benchmark
- Tenor: 5 yr/10yr
- UOP: Capex and refinancing
- Format: 144A/Reg S

The proposed issues

Despite its weaker standalone credit profile due partly to its debt-funded expansion (USD2.7bn acquisition of TransCore was completed on 17 Mar'22), STE is rated Aaa, on par with Temasek, reflecting STE's strategic importance to Singapore as the country's contractor and supplier of defence equipment. Taking cues from the current valuations of other Temasek-owned corporates, we believe that fair value of STE's 5yr and 10yr new bonds to be T+70-75bp and T 80-85bp vs IPT of T+100bp and T+135bp, representing 15-20bps pick-up over those of Temasek is fair for STE's new bonds.

	STE	PSA	Singtel	Sing Power	Temasek
Temasek ownership	51.7%	100%	52.2%	100%	
Moody's	Aaa	Aa1	A1	Aa1	Aaa
BCA	baa1	a3	a3	a2	aaa
5yr			STSP'28 T+75bp	SPSP'27 T+60bp	TEMASE'28 T+54bp
10yr		PSASP'30 T+78bp	STSP'31 T+89b p		TEMASE'31 T+66bp

➤ **Offshore Asia New Issues (Priced)**

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issued Priced Today					

➤ **Offshore Asia New Issues (Pipeline)**

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Chengdu Airport Xingcheng Investment Group	USD	-	3	4.5	-/-/-
Lanxi Transportation (SBLC by Bank of Ningbo)	USD	-	3	4	-/-/-
Singapore Technologies Engineering	USD	-	5	T+100	Aaa/-/-
Singapore Technologies Engineering	USD	-	10	T+135	Aaa/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 98 credit bonds issued yesterday with an amount of RMB147bn. As for Month-to-date, 1,369 credit bonds were issued with a total amount of RMB1,468bn raised, representing a 10.4% yoy decrease.
- PBoC, the central bank of China, cut the Reserve Requirement Ratio (RRR) for foreign currency deposits to 8% from 9%, effective from 15-May
- **[DEXICN]** pays total of USD188.44mn to fully redeem 11.875% senior notes due 2022 at maturity
- **[FRETAI]** US-based Amazon will continue with its arbitration proceedings against India's Future Retail Ltd [BOM:540064] (FRL) despite the latter's INR247.13bn (USD3.23bn) deal with India's Reliance Industries [BOM:500325] being called off, The Hindu Business Line reported on 25 April
- **[KWGPRO]** downgraded to Caa1; outlook negative - Moody's
- **[RONXIN]** plans to pay USD coupon due on 25 April within 30-day grace period

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