

July 18, 2018

**Credit Headlines:** First REIT, Singapore Telecommunications Ltd

## **Market Commentary**

- The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 2-3bps higher (with the exception of the 30-year swap rates trading 5bps higher).
- Flows in SGD corporates were heavy yesterday, with better buying seen in HSBC 4.7%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 146bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 551bps.
- 10Y UST yields rose 1bps to 2.87% in the earlier part of the trading session after Federal Reserve Chairman Jerome Powell's upbeat remarks on the economy, reiterating the Fed's commitment to more rate hikes. Yields subsequently fell 1bps to close at 2.86%.

## **Credit Headlines:**

### **First REIT ("FIRT") | Issuer Profile: Negative (6)**

- First REIT announced its 2Q2018 results. Gross revenue was relatively flat quarter on quarter at SGD28.9mn (up 0.7% q/q). EBITDA/Interest was lower at 4.7x versus 5.4x last quarter, likely due to the one-off write off of loan-related costs which drove interest expense higher to SGD5.5mn (1Q2018: SGD4.8mn). EBITDA was SGD25.6mn in 2Q2018 (up 0.2% q/q).
- Aggregate leverage optically looks healthy at only 33.6% (1Q2018: 33.5%). Adjusted aggregate leverage including 50% of perpetual as debt was 36% (steady versus 1Q2018). First REIT paid down the SGD100mn bond due in May 2018 using bank debt that was raised, though this is a very short term debt, with a portion due in November this year and in March 2019. First REIT is in the midst of negotiating for refinancing, we think they are still able to refinance via bank debt though the tenor may still be short.
- FIRT's rental income continues to be concentrated with its Sponsor Lippo Karawaci ("LK"), though trade receivables have reduced somewhat to SGD29.1mn as at 30 June 2018 (31 March 2018: SGD31.4mn), with days sales outstanding improving to 91 days from 97 days last quarter. We are keeping the issuer profile at Negative (6) on the back of LK's liquidity issue which remains unresolved. (Company, OCBC)

### **Singapore Telecommunications Ltd ("SingTel") | Issuer Profile: Positive (2)**

- SingTel's subsidiary, Amobee, acquired for USD101mn certain assets from Videology, a software provider for advanced TV and video advertising, following Videology's voluntary Chapter 11 restructuring.
- We see minimal impact on SingTel's credit profile given its total assets of SGD48.3bn.

**Table 1: Key Financial Indicators**

	18-Jul	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	88	-6	9
iTraxx SovX APAC	13	-2	0
iTraxx Japan	53	-1	11
iTraxx Australia	82	-2	11
CDX NA IG	60	-3	-1
CDX NA HY	107	0	0
iTraxx Eur Main	64	-4	-5
iTraxx Eur XO	289	-16	-9
iTraxx Eur Snr Fin	74	-7	-4
iTraxx Sovx WE	24	0	1
AUD/USD	0.739	0.26%	-0.51%
EUR/USD	1.166	-0.15%	0.28%
USD/SGD	1.365	-0.06%	-1.00%
China 5Y CDS	64	-8	7
Malaysia 5Y CDS	96	-7	-6
Indonesia 5Y CDS	116	-10	-17
Thailand 5Y CDS	45	-1	1

	18-Jul	1W chg	1M chg
Brent Crude Spot (\$/bbl)	71.83	-2.14%	-4.66%
Gold Spot (\$/oz)	1,227.83	-1.14%	-3.95%
CRB	191.09	-3.63%	-2.59%
GSCI	451.58	-6.05%	-3.38%
VIX	12.06	-4.59%	-2.03%
CT10 (bp)	2.867%	1.83	-4.95
USD Swap Spread 10Y (bp)	6	-1	0
USD Swap Spread 30Y (bp)	-5	-1	2
TED Spread (bp)	34	-3	-7
US Libor-OIS Spread (bp)	34	-3	-6
Euro Libor-OIS Spread (bp)	4	0	1
DJIA	25,120	0.80%	0.53%
SPX	2,810	0.56%	1.29%
MSCI Asiax	667	0.43%	-5.53%
HSI	28,182	-1.75%	-7.02%
STI	3,240	-0.29%	-2.54%
KLCI	1,737	2.87%	-0.35%
JCI	5,862	-0.34%	-2.20%

## New issues

- United Overseas Bank Ltd has priced a AUD600mn 3.5-year FRN at 3mBBSW+81bps, tightening from its initial price guidance of 3mBBSW+83bps area.
- Housing and Development Board has priced a SGD700mn 5-year bond at 2.42%.
- Mitsubishi UFJ Financial Group Inc has priced a USD4.6bn deal across six tranches:
  - USD750mn 3-year bond priced at CT3+85bps, tightening from its initial price guidance of CT3+100-105bps area
  - USD750mn 3-year FRN priced at 3mL+65bps, in line with its initial price guidance
  - USD1bn 5-year bond priced at CT5+100bps, tightening from its initial price guidance of CT5+115bps area
  - USD800mn 5-year FRN priced at 3mL+86bps, in line with its initial price guidance
  - USD500mn 20-year bond priced at CT20+132bps, tightening from its initial price guidance of CT20+140-145bps area
  - USD800mn re-tap of its MUFG 3.961%'28s at CT10+120bps, tightening from its initial price guidance of CT10+130bps area

Date	Issuer	Size	Tenor	Pricing
17-Jul-18	United Overseas Bank Ltd	AUD600mn	3.5-year	3mBBSW+81bps
17-Jul-18	Housing and Development Board	SGD700mn	5-year	2.42%
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD750mn	3-year	CT3+85bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD750mn	3-year	3mL+65bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD1bn	5-year	CT5+100bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD800mn	5-year	3mL+86bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD500mn	20-year	CT20+132bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc (re-tap)	USD800mn	MUFG 3.961%'28s	CT10+120bps
16-Jul-18	Bank Rakyat Indonesia	USD500mn	5-year	CT5+195bps
16-Jul-18	Industrial & Commercial Bank of China Ltd/Hong Kong	USD100mn	2-year	3mL+70bps
13-Jul-18	State Bank of India/London	USD200mn	2.5-year	3.197%
12-Jul-18	Korea East-West Power Co Ltd	USD500mn	5-year	CT5+122.5bps
12-Jul-18	Sumitomo Mitsui Financial Group Inc	USD750mn	5-year	CT5+100bps

Source: OCBC, Bloomberg

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