

Sept 18, 2018

Credit Headlines: Aspial Corp Ltd, CapitaLand Ltd

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates trading 1-2bps higher across most tenors (with the exception of the 20-year swap rates trading 5bps higher).
- Flows in SGD corporates were heavy yesterday, with better buying seen in DBSSP 3.98%-PERPs, CMZB 4.2'28s and DBSSP 4.7%-PERPs and better selling seen in HSBC 4.7%-PERPs.
- Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged at 140bps and 486bps respectively.
- 10Y UST yields rose 3bps to 3.02% in the earlier part of the trading session, its highest in four months due to growing expectations that the Fed will continue to hike rates after recent solid US economic data. Yields subsequently reversed 3bps to close at 2.99% on the back of renewed trade concerns between the US and China.

Credit Headlines:

Aspial Corp Ltd (“Aspial”) | Issuer Profile: Negative (6)

- Aspial's 81%-owned subsidiary, World Class Global (“WCG”), expects to reduce debt by AUD215mn (~SGD212mnm) in 3Q2018, which are project-related debts related to AVANT and Australia 108.
- We think net gearing may fall to ~2.8x, and this is in-line with our [expectations that net gearing may fall further with Aspial's commitment to deleverage](#). (Company, OCBC)

CapitaLand Ltd (“CAPL”) | Issuer Profile: Neutral (3)

- CAPL acquired 16 multifamily properties for USD835mn (SGD1.14bn) in the United States, which comprises 3,787 apartment units (Price per unit: USD220,000). These are at over 90% average occupancy, with average length of stay of 2 years and targeted at the middle-income tenants in suburban regions near employment hubs in Seattle, Portland, Greater Los Angeles and Denver.
- We note this marks CAPL's first significant foray into the US rental housing properties, following the appointment of Mr Lee Chee Koon as CEO of CAPL from 15 Sep 2018. Previously, Mr Lee was the Group Chief Investment Officer of CAPL and had held key positions in The Ascott Ltd.
- CAPL will likely undertake asset enhancements for this portfolio and intends to continue looking for more opportunities to scale up into an integrated multifamily player in the US, which helps diversify CAPL geographically and by asset class. In the longer term, CAPL may spin-off these assets into investment vehicles (likely REITs) and partnerships.
- We think CAPL should be able to fund the acquisition using its cash balance (2Q2018: SGD5.3bn). Though net gearing may inch up to ~54% (2Q2018: 0.50x), [factoring also the recent acquisitions in China](#), we continue to hold [CAPL at a Neutral \(3\) Issuer Profile](#). (Company, OCBC)

Table 1: Key Financial Indicators

	18-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	78	-2	-4
iTraxx SovX APAC	12	-1	1
iTraxx Japan	51	-2	-4
iTraxx Australia	70	-1	-4
CDX NA IG	57	-1	-5
CDX NA HY	107	0	1
iTraxx Eur Main	60	-1	-10
iTraxx Eur XO	282	2	-22
iTraxx Eur Snr Fin	68	-2	-18
iTraxx Sovx WE	24	-1	-4
AUD/USD	0.716	0.51%	-2.52%
EUR/USD	1.168	0.59%	1.68%
USD/SGD	1.375	0.06%	-0.39%
China 5Y CDS	55	-2	-5
Malaysia 5Y CDS	97	-6	9
Indonesia 5Y CDS	136	-6	14
Thailand 5Y CDS	41	-1	-1

	18-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	77.72	-1.69%	8.20%
Gold Spot (\$/oz)	1,198.91	0.03%	0.71%
CRB	189.64	-0.72%	0.48%
GSCI	463.41	0.20%	2.61%
VIX	13.68	-3.39%	8.23%
CT10 (bp)	2.979%	0.38	11.88
USD Swap Spread 10Y (bp)	7	0	-1
USD Swap Spread 30Y (bp)	-6	0	0
TED Spread (bp)	19	-1	-6
US Libor-OIS Spread (bp)	19	-2	-7
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	26,062	0.79%	1.53%
SPX	2,889	0.41%	1.36%
MSCI Asiax	639	1.22%	-0.85%
HSI	26,933	1.20%	-1.03%
STI	3,141	0.66%	-2.12%
KLCI	1,804	0.26%	1.14%
JCI	5,824	-0.46%	0.70%

New issues

- China Construction Bank Corp Hong Kong Branch has priced a USD1bn 3-year sustainability FRN at 3mL+75bps, tightening from its initial price guidance of 3mL+100bps area.
- Shanghai Pudong Development Bank Co Ltd Hong Kong Branch has priced a USD500mn 3-year FRN at 3mL+84bps, tightening from its initial price guidance of 3mL+110bps area.
- Security Bank Corp has priced a USD300mn 5-year bond at CT5+168bps, tightening from its initial price guidance of CT5+190bps area.
- Hitachi Capital (UK) PLC has priced a CNH600mn 3-year bond (guaranteed by Hitachi Capital Corp) at 4.6%, in line with its initial price guidance.
- HSBC Holdings PLC has priced a SGD750mn Perp NC5 AT1 at 5.0%, tightening from its initial price guidance of 5.125%.
- Hanwha General Insurance Co Ltd has scheduled for investor meetings for its potential USD 10NC5 Tier 2 bond issuance.
- ICICI Bank UK PLC (wholly subsidiary of ICICI Bank Ltd) has hired banks for its potential SGD 10NC5 Tier 2 bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
17-Sept-18	China Construction Bank Corp Hong Kong Branch	USD1bn	3-year	3mL+75bps
17-Sept-18	Shanghai Pudong Development Bank Co Ltd Hong Kong Branch	USD500mn	3-year	3mL+84bps
17-Sept-18	Security Bank Corp	USD300mn	5-year	CT5+168bps
17-Sept-18	HSBC Holdings PLC	SGD750mn	Perp NC5	5.0%
17-Sept-18	Hitachi Capital (UK) PLC	CNH600mn	3-year	4.6%
13-Sept-18	China Everbright Bank Co Ltd, Hong Kong Branch	USD300mn	3-year	3mL+85bps
13-Sept-18	Xingsheng (BVI) Company Ltd	USD500mn	3-year	CT3+180bps
13-Sept-18	Hejun Shunze Investment Co Ltd	USD250mn	2-year	12.0%
13-Sept-18	Republic of Korea	USD500mn	10-year	CT10+60bps
13-Sept-18	Republic of Korea	USD500mn	30-year	CT30+85bps
13-Sept-18	China Construction Bank Corporation Singapore Branch	SGD300mn	2-year	2.643%
12-Sept-18	Inventive Global Investment Ltd	USD300mn	3-year	CT3+110bps
12-Sept-18	Inventive Global Investment Ltd	USD500mn	3-year	3mL+85bps

Source: OCBC, Bloomberg

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