

July 2, 2018

**Credit Headlines:** CapitaLand Commercial Trust, Industry Outlook – Singapore Property, Mapletree Commercial Trust

## **Market Commentary**

- The SGD swap curve was lower last Friday, with swap rates for the shorter tenors trading around 2bps lower while the longer tenors traded 1bps lower.
- Flows in SGD corporates were moderate last Friday, with better buying seen in HSBC 4.7%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 146bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 523bps.
- 10Y UST yields rose 2bps to 2.86% in the earlier part of the trading session but subsequently fell 3bps on the back of continuing trade war concerns as well as US consumer spending data which came in weaker-than-expected. 10Y UST yields rebounded in the later part of the trading session to close at 2.86% last Friday.

## **Credit Headlines:**

### **CapitaLand Commercial Trust (“CCT”) | Issuer Profile: Neutral (3)**

- CCT announced the sale of Twenty Anson to an unrelated third party for SGD516mn (valued at SGD433mn as at 31 Dec 2017).
- The proceeds will be used to repay debt and/or to fund growth opportunities.
  - Assuming the proceeds are used to fully repay debt, aggregate leverage would fall to 35.8% (1Q2018: 37.9%), after accounting for the [purchase of Gallileo Property](#).
  - Otherwise, CCT may look overseas for potential acquisitions given the limited acquisition opportunities in Singapore. With a 10%-20% allocation target for overseas assets, taking into account the Gallileo Property acquisition for EUR342.7mn (~SGD548.3mn), this implies CCT may allocate a further ~SGD1.5bn to acquire.

### **Industry Outlook – Singapore Property**

- According to URA flash estimates, Singapore private residential property prices rose 3.4% q/q in 2Q2018. This continues the trend from 1Q2018 when prices rose 3.9% q/q.
- The increase was led by Rest of Central Region (“RCR”) at 5.7% q/q, which appears to be a catch-up from a slower increase in 1Q2018 (+1.2% q/q). Comparatively, the increase was slower in Core Central Region (“CCR”) at 1.4% q/q and Office Central Region at 2.9% q/q, which registered higher increases in 1Q2018 at +5.5% q/q and +5.6% q/q respectively.

## Credit Headlines (cont'd):

### **Mapletree Commercial Trust ("MCT") | Issuer Profile: Neutral (3)**

- MCT announced an increase in the limit on its multicurrency medium term note programme to SGD3bn from SGD1bn, effective from 29 June 2018.
- We [previously highlighted](#) a key risk to MCT's credit profile being potential asset injections by its sponsor.
- This includes the 1.2mn sqft Mapletree Business City II which, based on the valuation for MBC as at 31 March 2018 is currently valued at around SGD1.31bn.
- The limit increase adds additional headroom for future acquisitions in our view and does not alter MCT's issuer profile. (Company, OCBC)

**Table 1: Key Financial Indicators**

	2-Jul	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	92	8	15
iTraxx SovX APAC	15	1	2
iTraxx Japan	55	2	11
iTraxx Australia	81	6	11
CDX NA IG	68	1	4
CDX NA HY	106	-1	-1
iTraxx Eur Main	73	0	9
iTraxx Eur XO	320	6	32
iTraxx Eur Snr Fin	90	2	16
iTraxx Sovx WE	25	-1	0
AUD/USD	0.739	-0.31%	-3.36%
EUR/USD	1.167	-0.32%	-0.27%
USD/SGD	1.364	-0.15%	-2.02%
China 5Y CDS	68	6	12
Malaysia 5Y CDS	107	0	14
Indonesia 5Y CDS	136	0	13
Thailand 5Y CDS	48	2	4

	2-Jul	1W chg	1M chg
Brent Crude Spot (\$/bbl)	78.59	5.17%	2.34%
Gold Spot (\$/oz)	1,251.88	-1.09%	-3.11%
CRB	200.39	1.44%	-0.66%
GSCI	487.44	3.39%	2.16%
VIX	16.09	16.85%	19.54%
CT10 (bp)	2.853%	-2.75	-4.94
USD Swap Spread 10Y (bp)	8	1	2
USD Swap Spread 30Y (bp)	-6	1	2
TED Spread (bp)	42	-1	2
US Libor-OIS Spread (bp)	39	-1	-3
Euro Libor-OIS Spread (bp)	4	1	0
DJIA	24,271	-1.26%	-1.48%
SPX	2,718	-1.33%	-0.59%
MSCI Asiax	672	-0.70%	-5.76%
HSI	28,955	-1.31%	-5.04%
STI	3,269	-0.57%	-4.63%
KLCI	1,692	-0.16%	-3.69%
JCI	5,799	-0.39%	-3.08%

## New issues

- There were no new issuances over 29 June 2018.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
27-Jun-18	CapitaLand Retail China Trust	SGD130mn	4-year	3.25%
27-Jun-18	Korea National Oil Corp	USD400mn	5-year	3mL+87.5bps
26-Jun-18	Huarong Finance 2017 Co Ltd (re-tap)	USD150mn	HRAM 4.75%'27	95.941+accrued interest
26-Jun-18	Huarong Finance 2017 Co Ltd	USD550mn	5-year	3mL+132.5bps
26-Jun-18	Huarong Finance 2017 Co Ltd	USD400mn	3-year	3mL+117.5bps
25-Jun-18	Far East Horizon Ltd	USD400mn	3-year	3mL+200bps
21-Jun-18	Agile Group Holdings Ltd	USD100mn	Perp NC3	8.55%
21-Jun-18	Horse Gallop Finance Ltd	USD700mn	3-year	3mL+118bps
21-Jun-18	Zhenro Properties Group Ltd	USD250mn	2-year	11.5%
20-Jun-18	Guangsha Holding Group Co Ltd	USD300mn	364-day	7.0%
20-Jun-18	GS Caltex Corp	USD300mn	5-year	CT5+120bps
19-Jun-18	Korea Development Bank	CNH1.75bn	3-year	4.6%
19-Jun-18	Greenland Hong Kong Holdings Ltd	USD200mn	364-day	7.875%
15-Jun-18	Greenland Global Investment Ltd	USD250mn	3.25-year	3mL+485bps
14-Jun-18	CFLD Cayman Investment Ltd	USD200mn	3-year	9.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	HKD2.6bn	2-year	3.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	5-year	3mL+85bps
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	3-year	3mL+75bps

Source: OCBC, Bloomberg

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