

Sept 24, 2018

Credit Headlines: Sabana Shari'ah Compliant Industrial Real Estate Investment Trust, Keppel Telecommunications & Transportation Limited, Keppel Corp Ltd

Market Commentary

- The SGD swap curve bear flattened last Friday, with swap rates for the shorter tenors trading 3-4bps higher while the longer tenors traded 1-2bps higher (with the exception of the 12-year swap rates trading 3bps higher).
- Flows in SGD corporates were heavy last Friday, with better buying seen in HSBC 5.0%-PERPs, DBSSP 3.98%-PERPs, OCBCSP 4.0%-PERPs, HSBC 4.7%-PERPs, CMZB 4.2'28s and ICICI 3.75%'28s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 475bps.
- 10Y UST yields rose 2bps to 3.08% in the earlier part of the trading session last Friday ahead of the Federal Reserve meeting this week. Yields subsequently fell 2bps to close at 3.06% as Brexit negotiations stalled between the UK and the European Union.

Credit Headlines:

Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("SSREIT") | Issuer Profile: Neutral (5)

- Following SSREIT's announcement on 4th September with regards to SSREIT [10 Changi South Street 2](#), the tenant has paid the outstanding rental arrears and late payment charges as at 31 August 2018 amounting to SGD2.15mn. Following negotiations, SSREIT and the tenant has also entered into an agreement to vary the terms of the lease agreement where SSREIT can bring in direct sub-tenants which should help mitigate occupancy risks. This is subject to JTC Corporation approval.
- The tenant who was earlier in arrears will continue as a tenant under the agreement. There will be no reduction in the fixed rent payable by the tenant. (Company, OCBC)

Keppel Telecommunications & Transportation Limited ("KPTT") | Issuer Profile: Neutral (4) and Keppel Corp Ltd ("KEP") | Issuer Profile: Neutral (3)

- KPTT, the 79%-owned subsidiary of KEP is considering a transaction involving its equity interest in M1 Limited ("M1"). KPTT has also approached Singapore Press Holdings Limited ("SPH") to participate in a possible transaction involving SPH's stake in M1. KPTT is the second largest shareholder of M1 with a ~19.3% stake while SPH is the third largest shareholder holding ~13.5%. M1 is the third largest telecommunications company listed on the Singapore Stock Exchange with operations focused on the domestic market. Earlier in 2017, SPH, Keppel T&T and the largest shareholder of M1, namely Axiata Group Bhd ("Axiata") which holds ~28.7%-stake in M1 was in the process of a strategic review of their stakes in M1 though the strategic review was discontinued in July 2017. The proposals from interested parties did not meet the minimum criteria and parameters determined by the majority shareholders. Interestingly, Axiata is not part of this second proposed sale attempt.
- As at the end of day on 21 September 2018, M1's market cap was SGD1.5bn and collectively, the stakes held by KPTT and SPH indicate a market value of SGD0.5bn.
- KEP is also concurrently considering a transaction involving its interest in KPTT. There is no certainty that a deal will happen in either of these potential transactions. We will continue to monitor the situations. (Company, OCBC)

Table 1: Key Financial Indicators

	24-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	80	3	1
iTraxx SovX APAC	9	-3	-1
iTraxx Japan	59	7	0
iTraxx Australia	75	4	0
CDX NA IG	62	5	2
CDX NA HY	107	0	0
iTraxx Eur Main	68	8	2
iTraxx Eur XO	265	-17	-21
iTraxx Eur Snr Fin	79	11	-2
iTraxx Sovx WE	24	0	-4
AUD/USD	0.728	1.35%	-0.68%
EUR/USD	1.175	0.56%	1.09%
USD/SGD	1.365	0.51%	0.04%
China 5Y CDS	57	2	0
Malaysia 5Y CDS	96	-2	7
Indonesia 5Y CDS	133	-4	13
Thailand 5Y CDS	41	0	-1

	24-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	79.83	2.28%	5.29%
Gold Spot (\$/oz)	1,197.76	-0.31%	-0.63%
CRB	193.98	1.83%	0.99%
GSCI	473.84	2.04%	2.17%
VIX	11.68	-3.23%	-2.59%
CT10 (bp)	3.063%	6.69	23.30
USD Swap Spread 10Y (bp)	6	0	-2
USD Swap Spread 30Y (bp)	-7	0	-2
TED Spread (bp)	21	2	-4
US Libor-OIS Spread (bp)	19	0	-5
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	26,744	2.25%	3.70%
SPX	2,930	0.85%	1.91%
MSCI Asiax	660	3.28%	0.19%
HSI	27,954	2.45%	1.02%
STI	3,218	1.78%	0.15%
KLCI	1,811	1.01%	0.11%
JCI	5,958	0.45%	-0.18%

New issues

- Lum Chang Holdings Limited has priced a SGD40mn 3-year bond at 5.8%.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
21-Sept-18	Lum Chang Holdings Limited	SGD40mn	3-year	5.8%
20-Sept-18	Soilbuild Business Space REIT	SGD65mn	Perp NC3	6.0%
19-Sept-18	ICICI Bank UK PLC	SGD100mn	10-year	5.375%
19-Sept-18	BOC Aviation Ltd	USD500mn	5-year	3mL+112.5bps
19-Sept-18	Country Garden Holdings Company Ltd	USD425mn	3-year	7.125%
19-Sept-18	Country Garden Holdings Company Ltd	USD550mn	5-year	8.0%
19-Sept-18	Zhenro Properties Group Ltd	USD280mn	2.25-year	13.70%
19-Sept-18	Easy Tactic Limited	USD200mn	3-year	8.875%
19-Sept-18	Maoye Intl Holdings	USD150mn	2-year	13.25%
19-Sept-18	Agricultural Development Bank of China	USD700mn	3-year	3mL+62bps
19-Sept-18	Agricultural Development Bank of China	CNH1.2bn	2-year	4.16%
19-Sept-18	Asian Development Bank	USD750mn	10-year	MS+11bps
19-Sept-18	JT International Financial Services B.V.	USD525mn	5-year	CT5+65bps
19-Sept-18	JT International Financial Services B.V.	USD500mn	10-year	CT10+90bps
19-Sept-18	Japan Finance Organization for Municipalities	USD1bn	5-year	MS+41bps
19-Sept-18	State Bank of India, London Branch	USD650mn	5-year	T+165bps
19-Sept-18	CSSC Capital One Limited / CSSC Capital Two Limited	USD485mn	3-year	CT3+125bps

Source: OCBC, Bloomberg

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