

Sept 3, 2018

Credit Headlines: ESR-REIT

Market Commentary

- The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading within 1bps higher while the longer tenors traded 1-3bps lower (with the exception of the 12-year and 30-year swap rates trading 1bps lower).
- Flows in SGD corporates were heavy last Friday, with better buying seen in OCBCSP 4.0%-PERPs and better selling seen in GEMAU 5.5%'19s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 484bps.
- 10Y UST yields fell 3bps to 2.83% in the earlier part of the trading session as the US and Canada failed to reach an agreement on the North American Free Trade Agreement before the deadline on Friday. Yields subsequently recovered 3bps to close at 2.86% on the back of better-than-expected consumer sentiment in the United States for the month of August.

Credit Headlines:

ESR-REIT (“EREIT”) | Issuer Profile: Neutral (4) and VIVA Industrial Trust (“VIT”) | Issuer Profile: Neutral (5)

- On 31 August 2018, EREIT unitholders approved all five resolutions in an Extraordinary General Meeting (“EGM”). Chiefly, unitholders voted to approve for the proposed merger with VIT and also to approve the proposed issuance of new units in EREIT that will form 90% of the purchase consideration to VIT stapled security holders.
- Similarly, in a scheme meeting, VIT stapled security holders voted to approve to effect the proposed merger between EREIT and VIT through a trust scheme of arrangement.
- The expected Court hearing date of the application to sanction the scheme is 19 September 2018 (subject to actual date allocated by the Court) and the expected last day of trading for VIT Stapled Securities is on the 25 September 2018.
- VIT’s sole bond, the SGD100mn VITSP ‘18s, has a maturity on 19 September 2018 and per company, unsecured banking facilities has been obtained by EREIT to, among others, part refinance the existing loan facilities granted to EREIT and fully refinance existing debt at VIT, including the VITSP ‘18s.
- We [maintain EREIT’s issuer profile at neutral \(4\) and remain Overweight](#) the EREIT 3.95% ‘20s and EREIT 4.6%-PERP. (Company, OCBC)

Table 1: Key Financial Indicators

	3-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	84	6	2
iTraxx SovX APAC	11	0	0
iTraxx Japan	54	0	-2
iTraxx Australia	74	1	-2
CDX NA IG	60	1	1
CDX NA HY	107	0	0
iTraxx Eur Main	69	3	5
iTraxx Eur XO	300	15	6
iTraxx Eur Snr Fin	85	5	6
iTraxx Sovx WE	28	0	2
AUD/USD	0.719	-2.22%	-2.92%
EUR/USD	1.160	-0.66%	0.29%
USD/SGD	1.373	-0.76%	-0.50%
China 5Y CDS	60	5	-2
Malaysia 5Y CDS	95	9	9
Indonesia 5Y CDS	127	12	11
Thailand 5Y CDS	42	1	-2

	3-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	77.66	1.90%	6.08%
Gold Spot (\$/oz)	1,198.15	-1.09%	-1.38%
CRB	192.96	0.46%	-0.14%
GSCI	468.69	1.06%	1.42%
VIX	12.86	7.26%	10.48%
CT10 (bp)	2.860%	1.45	-8.84
USD Swap Spread 10Y (bp)	7	-1	0
USD Swap Spread 30Y (bp)	-6	-1	-2
TED Spread (bp)	23	0	-11
US Libor-OIS Spread (bp)	22	-1	-11
Euro Libor-OIS Spread (bp)	4	1	0
DJIA	25,965	0.68%	1.97%
SPX	2,902	0.93%	2.15%
MSCI Asiax	666	-0.51%	0.66%
HSI	27,889	0.78%	0.77%
STI	3,213	0.01%	-1.60%
KLCI	1,820	0.49%	1.98%
JCI	6,018	0.83%	0.18%

New issues

- SCIG International Financial Ltd has scheduled for investor meetings from 3-6 Sept for its potential USD bond issuance (guaranteed by Sichuan Provincial Investment Group Co Ltd).

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
30-Aug-18	Vigorous Champion International Ltd	USD500mn	5-year	CT5+167.5bps
30-Aug-18	Chalco Hong Kong Investment Co Ltd	USD400mn	3-year	CT3+235bps
30-Aug-18	Gemdale Ever Prosperity Investment Limited	USD150mn	3NC2	6.0%
30-Aug-18	Central Japan Railway Co Ltd	USD350mn	5-year	CT5+65bps
30-Aug-18	Singtel Optus Pty	AUD500mn	5-year	ASW+102bps
29-Aug-18	China Aoyuan Property Group Ltd	USD225mn	3NCNP2	7.95%
29-Aug-18	China Aoyuan Property Group Ltd	SGD100mn	3NCNP2	7.15%
29-Aug-18	Asahi Mutual Life Insurance Co Ltd	USD430mn	Perp NC5	6.5%
28-Aug-18	Lingang Wings Inc	USD300mn	3-year	4.88%
28-Aug-18	Huafa Group 2018 I Company Ltd	USD500mn	3-year	5.4%
28-Aug-18	Nan Fung Treasury Ltd	USD500mn	10-year	CT10+227.5bps
28-Aug-18	Bank of the Philippine Islands	USD600mn	5-year	CT5+160bps
28-Aug-18	HSBC Institutional Trust Services (Singapore) Ltd (in its capacity as trustee-manger of RCS Trust)	SGD150mn	6-year	3.05%

Source: OCBC, Bloomberg

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