

July 5, 2018

**Credit Headlines:** Mapletree Logistics Trust , CWT International Ltd, Industry Outlook – Singapore Property

## **Market Commentary**

- The SGD swap curve bull-flattened yesterday, with swap rates for the shorter tenors trading 2-3bps lower while the longer tenors traded 3-4bps lower. Flows in SGD corporates were light yesterday, with better buying seen in HSBC 4.7%-PEPRs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 147bps and 532bps respectively as was 10Y UST yields as US markets were closed for Independence Day.

## **Credit Headlines:**

**Mapletree Logistics Trust (“MLT”) | Issuer Profile: Neutral (4) and CWT International Ltd (“CWTI”) | Issuer Profile: Negative (6)**

- MLT announced that it has entered into five conditional sale and purchase agreements with CWT Pte. Limited (“CWT SG”) and CWT SG’s subsidiaries (the “Vendors”). CWT SG is the wholly-owned subsidiary of CWTI (listed in Hong Kong) and the bond issuer of two SGD bonds.
- Excluding transaction costs, the estimated aggregate consideration is SGD778.3mn, this is made up of SGD730mn in aggregate purchase consideration and SGD48.3mn of balance lease terms payable to JTC Corporation. Another SGD27.66mn in transaction costs is estimated which may bring the total acquisition cost to SGD805.9mn. This is a relatively large transaction for MLT at ~12% of total assets.
- The acquisitions are subject to (a) JTC approval and (b) approval of shareholders of CWTI given that in aggregate the disposals constitute a very substantial disposal under Hong Kong listing rules.
- MLT has not firmed up its funding structure for the transaction though with aggregate leverage at 37.7% and adjusted aggregate leverage (assuming 50% of perpetuals as debt) of 41% as at 31 March 2018, we expect MLT to fund this in part by equity.
- Assuming completion, the Vendors will enter into Master Lease Agreements with MLT where the Vendors shall lease back the entire space in the properties for terms ranging between 5 to 10 years (combined weighted average lease expiry of 8.7 years). In effect, the transaction is a sales and lease back transaction. There are more than 25 end users to the properties under sub-leases or services contracts with the Vendors. Post-acquisition, CWT SG and its subsidiaries will be the single largest tenant of MLT, contributing 9.5% of gross revenue. For the year ended March 2018, CWT SG and its subsidiaries did not feature in the top 10.
- The five properties consist of three chemical warehouses, one ambient warehouse and one temperature controlled warehouse with total gross floor area of 3.2mn sq ft and independent valuation as at 27 June 2018 of SGD755.2mn (3.3% discount to valuation).
- 20% of the aggregate consideration has been paid to the Vendor’s solicitors as deposits while the remainder will be paid on completion. As part of the agreement, MLT is obliged to provide a bridge loan of at least USD100mn (~SGD136mn) to CWT SG. The final terms of the bridge loan have not been agreed though the intention is for the purchase consideration to be offset against the bridge loan. Should the deal fail to go through, MLT would effectively be a lender to CWT SG with CWT SG obliged to refund the sums extended by MLT.
- For CWT SG, we are unable to opine on whether this proposed sale-and-leaseback is in breach of its bond terms based on the public information that is available and we urge bondholders to seek legal advice on protections afforded to them. As at 31 December 2017, the Logistics segment of CWTI (where these warehouse assets likely sit) shows net assets of HKD5.9bn (~SGD1.0bn).
- We are reviewing MLT’s issuer profile in light of the proposed acquisition and maintain CWTI’s issuer profile at Negative (6). (Company, OCBC)

## Credit Headlines (cont'd):

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

- Ravi Menon, MAS managing director, cautioned about 'euphoria' in the Singapore property market. The risks highlighted included the upcoming supply (and if the demand will be able to match this supply), rising interest rates and rising property prices which raises the risk of a destabilising market correction.
- Mr Menon's comments followed URA flash estimates which showed [2Q2018 private residential prices rising by 3.4% q/q](#). Thus far in this round of the property upcycle, the government has not put forth further punitive cooling measures. However, MAS, MND and MOF are closely monitoring residential property market developments and 'committed to ensuring a sustainable market'. As such, we cannot rule out government intervention, especially if prices continue to rise at the same pace through 2H2018.
- We continue to [expect the recovery in property prices to be sustained through 2018 though we will be wary going into 2019](#).

**Table 1: Key Financial Indicators**

	5-Jul	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	93	2	16
iTraxx SovX APAC	15	1	2
iTraxx Japan	57	3	14
iTraxx Australia	83	6	14
CDX NA IG	67	-1	3
CDX NA HY	106	0	-1
iTraxx Eur Main	73	-1	8
iTraxx Eur XO	315	-4	28
iTraxx Eur Snr Fin	87	-1	13
iTraxx Sovx WE	24	-2	0
AUD/USD	0.738	0.39%	-3.09%
EUR/USD	1.166	0.80%	-0.48%
USD/SGD	1.365	0.20%	-2.22%
China 5Y CDS	68	2	13
Malaysia 5Y CDS	105	-3	12
Indonesia 5Y CDS	134	-4	11
Thailand 5Y CDS	49	-1	4

	5-Jul	1W chg	1M chg
Brent Crude Spot (\$/bbl)	78.24	0.80%	3.92%
Gold Spot (\$/oz)	1,256.94	0.70%	-3.04%
CRB	197.48	0.12%	-0.70%
GSCI	481.00	1.68%	2.23%
VIX	16.14	1.38%	26.69%
CT10 (bp)	2.842%	0.54	-8.58
USD Swap Spread 10Y (bp)	8	1	2
USD Swap Spread 30Y (bp)	-5	0	3
TED Spread (bp)	38	-4	-4
US Libor-OIS Spread (bp)	38	-2	-2
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	24,175	-0.45%	-2.57%
SPX	2,713	-0.36%	-1.23%
MSCI Asiax	661	-0.01%	-8.89%
HSI	28,242	-2.22%	-9.17%
STI	3,245	-0.30%	-6.84%
KLCI	1,688	1.34%	-3.80%
JCI	5,734	-0.93%	-5.83%

## New issues

- CDBL Funding 2 has scheduled for investor meetings from 5 July for its potential USD bond issuance (guaranteed by Metro Excel Ltd).

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
3-Jul-18	New Dian Group Pte Ltd	USD100mn	2-year	7.50%
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%

Source: OCBC, Bloomberg

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