

June 11, 2019

Credit Headlines: CapitaLand Retail China Trust

Market Commentary

- The SGD swap curve bear-steepened over yesterday, with the shorter tenors and belly trading 1-2bps higher while the longer tenors traded 2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 11bps to 504bps
- Flows in SGD corporates were heavy, dominated by CS 5.625%-PERPs, SPHSP 4.5%-PERPs, HSBC 5.0%-PERPs, OLAMSP 5.5%-PERPs and KITSP 4.75%-PERPs.
- 10Y UST yields gained 7bps to 2.15%, on the back of easing trade tensions between US and Mexico, lifting investors' risk appetite. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, albeit narrower at -10bps.

Credit Headlines

CapitaLand Retail China Trust ("CRCT") | Issuer Profile: Neutral (4)

- CRCT has proposed to acquire three malls (1) CapitaMall Xuefu and (2) CapitaMall Aidemengdun in Harbin, Heilongjiang Province, and (3) CapitaMall Yuhuating in Changsha, Hunan Province from its parent, CapitaLand Ltd for an outlay of SGD505.4mn.
- The aggregate agreed property value is SGD589.2mn (RMB2960mn), which represents a slight discount (~0.2%-1.3%) to independent valuation and will increase CRCT's portfolio size by 18.6% to SGD3.8bn. These properties have a NPI yield of 6.0%, above the existing portfolio's 5.7% and are estimated to increase NPI from ~SGD154mn (RMB781.2mn) to SGD189mn (RMB959.3mn) (+22.8%). These malls are multi-tenanted and have strong committed occupancy rate of above 98%.
- CRCT will most likely be funding the transaction via a combination of debt and equity. If solely debt is used, aggregate leverage is estimated to climb to 43.7% from 35.5% as at 31 March 2019. That said, we think management is likely to use ~60% debt and ~40% equity which will bring pro-forma aggregate leverage to ~38.1%.
- We are maintaining CRCT's issuer profile at Neutral (4) for now given the funding mix has yet to be announced. (Company, OCBC)

Table 1: Key Financial Indicators

	11-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	72	-6	-1
iTraxx SovX APAC	47	-4	-2
iTraxx Japan	66	-6	7
iTraxx Australia	70	-7	-2
CDX NA IG	60	-5	-5
CDX NA HY	106	1	0
iTraxx Eur Main	61	-6	-8
iTraxx Eur XO	269	-23	-22
iTraxx Eur Snr Fin	77	-7	-6
iTraxx Sovx WE	18	0	1
AUD/USD	0.696	-0.47%	0.20%
EUR/USD	1.131	0.53%	0.80%
USD/SGD	1.366	0.06%	0.37%
China 5Y CDS	51	-7	-1
Malaysia 5Y CDS	66	-6	-2
Indonesia 5Y CDS	101	-10	-9
Thailand 5Y CDS	35	-2	-6

	11-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	62.38	0.66%	-11.67%
Gold Spot (\$/oz)	1,328.99	0.26%	2.24%
CRB	174.07	-0.37%	-2.73%
GSCI	405.67	-0.32%	-6.60%
VIX	15.94	-15.48%	-0.62%
CT10 (bp)	2.152%	2.22	-31.54
USD Swap Spread 10Y (bp)	-2	1	1
USD Swap Spread 30Y (bp)	-27	1	1
US Libor-OIS Spread (bp)	19	2	3
Euro Libor-OIS Spread (bp)	5	0	-1
DJIA	26,063	5.01%	0.46%
SPX	2,887	5.18%	0.18%
MSCI Asiax	630	1.84%	-2.53%
HSI	27,726	3.09%	-2.89%
STI	3,204	2.59%	-2.11%
KLCI	1,651	0.04%	2.55%
JCI	6,264	2.71%	0.89%

New issues:

- Easy Tactic Ltd has priced a USD425mn re-tap (guarantor: R&F Properties (HK) Company Limited) of its existing 8.125%'23s at 8.5%, to a total outstanding amount of USD875mn, tightening from IPT at 8.75% area.
- Tus-Holdings Co. Ltd has scheduled an investor conference call on 10 June for its potential USD bond issuance.
- Pingdingshan Tianan Coal Mining Co., Ltd has scheduled investor meetings commencing on 11 June for its potential USD bond issuance.
- Power Construction Corporation of China (Guarantor) has scheduled investor meetings commencing on 11 June for its potential USD bond issuance (issuer: Dianjian Haiyu Limited).
- Jinke Property Group Co., Ltd has scheduled investor meetings commencing on 11 June for its potential USD bond issuance.

<u>Date</u>		<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
10-Jun-19	Easy Tactic Ltd	USD425mn	GZRFPR 8.125%'23s	8.5%
06-Jun-19	Gemdale Ever Prosperity Investment Ltd	USD250mn	3-year	5.6%
06-Jun-19	China South City Holdings Ltd	USD60mn	CSCHCN 11.875%'21s	12.12%
06-Jun-19	Ronshine China Holdings Ltd	USD235mn	3-year	9%
06-Jun-19	Cooperatieve Rabobank	SGD15mn	1-year	SORF3M-5bps
04-Jun-19	UHI Capital Ltd	USD500mn	5-year	T+128bps
04-Jun-19	Xinhu (BVI) 2018 Holding Company Limited	USD110mn	3NCNP2-perpetual	11.0%
04-Jun-19	Fuqing Investment Management Ltd	USD400mn	3-year	4.30%
04-Jun-19	Keppel Infrastructure Fund Management Pte Ltd	SGD200mn	NC10-perpetual	4.75%
03-Jun-19	Industrial & Commercial Bank of China Ltd	USD750mn USD750mn	3-year 5-year	3M-US LIBOR+72bps 3M-US LIBOR+83bps
03-Jun-19	Zunyi Road and Bridge Construction (Group) Ltd	USD78mn	3-year	8.0%
03-Jun-19	Shangri-La Hotel Ltd Shangri-La Hotel Ltd	SGD135mn SGD 165mn	5-year 8-year	3.70% 4.10%

Source: OCBC, Bloomberg

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