

Jan 17, 2019

Credit Headlines: Frasers Commercial Trust, First Real Estate Investment Trust

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates trading 3bps higher across most tenors (with the exception of the 1-year swap rate trading 1bps higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 159bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 11bps to 581bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in DBSSP 3.98%-PERPs, UBS 5.875%-PERPs, NTUCSP 3.65% '27s, LLCAU 3.9% '27s, SIASP 3.13% '27s, MAPLSP 4.5%-PERPs and HSBC 5.0%-PERPs.
- 10Y UST yields rose 2bps to close at 2.72% on the back of strong Wall Street performance, as Goldman Sachs and Bank of America posted better than expected results. British Prime Minister Theresa May's win of a confidence vote also weighed in on market sentiments, as safety bids for US government debt were reduced.

Credit Headlines:

Frasers Commercial Trust ("FCOT") | Issuer Profile: Neutral (4)

- Alexandra Technopark under FCOT has seen occupancy slip since the departure of its key tenant, HP. According to Business Times, Google is in advanced talks to lease ~400,000 sq ft of space at the property as it is a 7-minute walk from its current location Mapletree Business City II.
- Alexandra Technopark alone accounts for ~26% of FCOT's asset value and is significant to FCOT. (Business Times, OCBC)

First Real Estate Investment Trust ("FIRT") | Issuer Profile: Negative (6)

- FIRT announced their 4Q2018 and full year financials, gross revenue was up by 2.7% y/y to SGD29.3mn in 4Q2018 mainly due to the contribution from Siloam Hospitals Yogyakarta (acquired in December 2017). EBITDA/Interest was lower at 4.3x in 4Q2018 versus 5.1x in 4Q2017 mainly from higher interest expense (driven by higher average debt balance to help fund the Yogyakarta hospital and debt taken to close operating cash gap). This was still lower than 3Q2018's 4.7x, which indicates that FIRT paid out a higher interest cost (we estimate additional 25bps).
- FIRT revalue its investment properties on an annual basis and for 4Q2018 it took on a revaluation loss of SGD5.4mn (0.3% decline versus end-2017) and a broad-based decline was seen in the portfolio except Siloam Hospitals Lippo Cikarang (up 4%) and partly helped mitigate the revaluation losses.
- Aggregate leverage is slightly higher q/q at 34.5% versus 34.3% last quarter (33.5% as at end-2017). FIRT has SGD60mn of perpetuals and taking 50% of these as debt we find adjusted aggregate leverage at 36.6%.
- [One recurring theme at First REIT was receivables building at the REIT](#) which has led to cash flow compression. For 4Q2018 though, the REIT has managed to obtain payment from its tenant (contributed cash inflow of SGD17.2mn) and we estimate that Day Sales Outstanding was 101 days versus 153 days in 3Q2018. FIRT ended the year with cash of SGD27.8mn and would need to refinance its short term debt of SGD109.7mn (taken as bridge loan to redeem its SGD bond in May 2018). After the year end on 15 January 2018, a further SGD8mn was collected. We keep our Negative (6) issuer profile for now. (OCBC, Company)

Table 1: Key Financial Indicators

	17-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	87	-3	-5
iTraxx SovX APAC	64	-3	-3
iTraxx Japan	74	-3	-2
iTraxx Australia	86	-4	-3
CDX NA IG	76	-1	-6
CDX NA HY	104	0	1
iTraxx Eur Main	78	-4	-3
iTraxx Eur XO	327	-10	-16
iTraxx Eur Snr Fin	97	-11	-7
iTraxx Sovx WE	26	-1	0
AUD/USD	0.716	-0.29%	-0.21%
EUR/USD	1.140	-0.89%	0.44%
USD/SGD	1.355	-0.18%	1.31%
China 5Y CDS	60	-4	-4
Malaysia 5Y CDS	91	-7	-13
Indonesia 5Y CDS	124	-5	-11
Thailand 5Y CDS	43	-1	0

	17-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	61.04	-1.04%	2.40%
Gold Spot (\$/oz)	1,294.78	0.63%	3.93%
CRB	179.64	0.33%	0.97%
GSCI	406.27	0.23%	1.45%
VIX	19.04	-4.70%	-22.35%
CT10 (bp)	2,709%	-3.28	-14.77
USD Swap Spread 10Y (bp)	3	1	0
USD Swap Spread 30Y (bp)	-20	-1	-6
TED Spread (bp)	35	1	-4
US Libor-OIS Spread (bp)	37	-1	-6
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	24,207	1.37%	2.60%
SPX	2,616	1.20%	2.76%
MSCI Asiax	617	1.23%	2.71%
HSI	26,821	1.13%	2.81%
STI	3,221	1.17%	3.42%
KLCI	1,677	-0.11%	2.15%
JCI	6,413	2.25%	5.32%

New issues

- State Bank of India/London has priced a USD1.25bn 2-tranche deal with the USD400mn 3-year tranche priced at CT+157.5bps (tightening from IPT CT+190bps) and the USD850mn 5-year tranche priced at CT+185bps (tightening from IPT CT+210bps).
- Greenland Global Investment Ltd has priced a USD300mn 1-year, 9-month bond (guarantor: Greenland Holding Group Co Ltd) at 8.0%, tightening from IPT of 8.25%.
- DBS Group Holdings Ltd has priced a USD100mn 5-year bond at 3.422%.
- Housing & Developmental Board has priced a SGD600mn 10-year bond at 2.675%.
- AC Energy Finance International Ltd has scheduled for investor meetings from 17 Jan for its potential USD green bond issuance (guarantor: AC Energy, Inc).
- BOC Aviation Ltd has mandated banks for its potential USD 5-year bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
16-Jan-19	State Bank of India/London	USD1.25bn 2-tranche	USD400mn: 3-year USD850mn: 5-year	CT+157.5bps CT+185bps
16-Jan-19	Greenland Global Investment Ltd	USD300mn	1-year, 9-month	8.0%
16-Jan-19	DBS Group Holdings Ltd	USD100mn	5-year	3.422%
15-Jan-19	Housing & Developmental Board	SGD600mn	10-year	2.675%
15-Jan-19	Bocom Leasing Management Hong Kong Company Ltd	USD1.5bn 2-tranche	USD800mn: 3-year USD700mn: 5-year	3Y FXD+172.5bps 5Y FXD+200bps
15-Jan-19	China Aoyuan Group Ltd	USD500mn	3NC2	8.5%
15-Jan-19	Yuzhou Properties Company Limited	USD500mn	3-year	8.625%
15-Jan-19	Zhenro Properties Group Limited	USD150mn	ZHPRHK 10.5% '20s	10.625%
15-Jan-19	Hanwha Total Petrochemical Co Ltd	USD400mn	5-year	CT5+140bps
15-Jan-19	Alam Synergy Pte Ltd (parent PT Alam Sutera Realty Tbk)	USD175mn	2.25NC1.25	11.7%
14-Jan-19	BNP Paribas SA	SGD250mn	10NC5 Tier 2	4.35%
14-Jan-19	Korea Midland Power Co Ltd	USD300mn	3-year	T+95bps
14-Jan-19	Future Land Development Holdings Ltd	USD300mn	2-year	7.5%

Source: OCBC, Bloomberg

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