

Mar 20, 2019

Credit Headlines: Starhill Global REIT, Oxley Holdings Ltd

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors and belly trading little change, while the longer tenors traded 1-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 452bps.
- Flows in SGD corporates were heavy, with flows made up by SINTEC 5.0%-PERPs, GUOLSP 4.6%-PERPs and SLHSP 4.5%'25s.
- 10Y UST yields rose 1bps to close the session at 2.61%, amidst a relatively sedated session as investors await the conclusion of the Federal Reserve's policy-setting meeting later today. Despite firm belief that the Fed will keep interest rates on hold, investors are hoping to gain some insights on the Fed's dot plot as well as whether the central bank will continue to shrink its balance sheet.

Credit Headlines

Starhill Global REIT ("SGREIT") | Issuer Profile: Neutral (4)

- SGREIT managed to extend its master leases (expiring on 27 June 2019) at Starhill Gallery and Lot 10 Property for long tenures of ~19.5 years and ~9 years respectively. The master tenant at Starhill Gallery though has specified a condition for asset enhancement works ("AEW") to be done on the mall.
- AEW, estimated to cost RM175mn (~SGD58.1mn), will be borne by SGREIT. Separately, a rent rebate of 6 months per year (~RM26mn or ~SGD8.6 per annum) will be given to the master tenant at Starhill Gallery to mitigate income disruption from the AEW which is expected to complete around June 2021.
- It is worth noting that the master tenant, Katagreen Development, is a wholly-owned subsidiary of YTL Corporation Berhad which is the sponsor of SGREIT. YTL Corporation Berhad has ~37.1% stake in SGREIT and is the manager of SGREIT.
- SGREIT intends to fund these costs through external borrowings and internal working capital. On a pro forma basis, SGREIT's aggregate leverage is expected to increase to 36.7%, up from 35.6% as at 31 December 2018.
- Post AEW, initial annual rents will be 1.5% (~RM1.3mn or ~SGD0.4mn) higher than the expiring rents under the existing agreement for the properties. The new master tenancy agreements also has rent step-ups built in. From the fourth year and every three years thereafter until the expiry of leases, rent step-ups are 4.75% at Starhill Gallery and 6% at Lot 10 Property.
- Overall, we are maintaining SGREIT at Neutral (4) issuer profile. (Company, OCBC)

Credit Headlines (cont'd)

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Neutral (5)

- OHL announced that the letter of intent for the sale of Mercure and Novotel hotels has been terminated as the purchaser did not make a subsequent deposit of SGD38.0mn that was due on the end of February.
- If the hotel deal fails to complete and OHL does not eventually dispose of this asset, plans for deleveraging may be affected and this would be a credit negative.
- OHL did not disclose the reason for the purchaser to walk away from the SGD950mn purchase of the hotels. However, this comes at a curious timing when [Lippo Karawaci announced a rights issue amounting to USD730mn](#) (~SGD985mn). We note that the purchaser reportedly is Tahir, who is the son-in-law of Mochtar Riady, who is the founder and chairman of Lippo Group. (Business Times, Company, OCBC)

Table 1: Key Financial Indicators

	20-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	64	-3	-8
iTraxx SovX APAC	49	-2	-8
iTraxx Japan	55	-2	-5
iTraxx Australia	67	-2	-4
CDX NA IG	58	-1	-3
CDX NA HY	106	0	0
iTraxx Eur Main	57	-2	-9
iTraxx Eur XO	259	-11	-33
iTraxx Eur Snr Fin	68	-3	-12
iTraxx Sovx WE	19	-1	-5
AUD/USD	0.707	-0.31%	-1.30%
EUR/USD	1.135	0.17%	0.07%
USD/SGD	1.352	0.01%	-0.04%
China 5Y CDS	44	-2	-7
Malaysia 5Y CDS	59	-2	-13
Indonesia 5Y CDS	94	-4	-15
Thailand 5Y CDS	42	-1	-5

	20-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	67.59	0.06%	0.76%
Gold Spot (\$/oz)	1,305.03	-0.31%	-2.50%
CRB	185.24	2.17%	1.07%
GSCI	435.38	0.90%	1.94%
VIX	13.56	-1.53%	-3.28%
CT10 (bp)	2.609%	-1.26	-3.60
USD Swap Spread 10Y (bp)	1	-1	-2
USD Swap Spread 30Y (bp)	-24	-3	-5
US Libor-OIS Spread (bp)	23	2	-3
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	25,887	1.30%	-0.26%
SPX	2,833	1.47%	1.72%
MSCI Asiax	666	1.77%	2.43%
HSI	29,405	2.07%	3.12%
STI	3,202	0.21%	-2.32%
KLCI	1,682	0.24%	-2.55%
JCI	6,491	1.78%	-0.33%

New issues

- Landmark Funding 2019 Limited has issued a USD450mn 3-year bond (guarantor: Minsheng Financial Leasing Co Ltd) at 4.7%, in line with the final guidance.
- KWG Group Holdings Ltd has priced a USD350mn re-tap of its existing KWGPRO 7.875%'23s (sub-guarantors: certain non-PRC subsidiaries of issuer) at 102.125 (yield: 7.3%), tightening from IPT of 101 area.
- Singapore Airlines Ltd has priced a SGD200mn 5-year bond at 3.03%, tightening from IPT of 3.1% area.
- PT Bank Rakyat Indonesia (Persero) has scheduled investor meetings from 20 March for its potential USD bond issuance.
- Korea Resources Corporation (subsidiary: Minera y Metalurgica del Boleo) has scheduled investor meetings from 25 March for its potential USD bond issuance.
- Indian Railway Finance Corp has scheduled investor meetings from 18 March for its potential USD 5-year bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
19-Mar-19	Landmark Funding 2019 Ltd	USD450mn	3-year	4.7%
19-Mar-19	KWG Group Holdings Ltd	USD350mn	KWGPRO 7.875%'23s	102.125
19-Mar-19	Singapore Airlines Ltd	SGD200mn	5-year	3.03%
18-Mar-19	Poly Real Estate Finance Ltd	USD500mn	5-year	CT5+160bps
18-Mar-19	Yunnan Provincial Energy	USD400mn	YUNAEN 6.25%'21s	5.5%
15-Mar-19	Bank of Communications Co Ltd, Hong Kong Branch	USD800mn	3-year	3M-LIBOR +78bps
15-Mar-19	Export-Import Bank of China	USD250mn	5-year	3M-LIBOR +70bps
15-Mar-19	City Developments Ltd	SGD250mn	5-year	3.0%
15-Mar-19	CJ Logistics Asia Pte Ltd	SGD70mn	5-year	2.938%
15-Mar-19	ESR Cayman Ltd	SGD77.25mn	ESRCAY 6.75%'22s	100
14-Mar-19	Sunny Express Enterprises Corp	USD500mn	3-year	CT3+110bps
14-Mar-19	Xinjiang Financial Investment Co Ltd	USD200mn	3-year	7.5%
14-Mar-19	Yango (Cayman) Investment Ltd	USD150mn	1.5-year	12.75%

Source: OCBC, Bloomberg

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