

Mar 21, 2019

**Credit Headlines:** Frasers Property Ltd, Frasers Centrepoint Trust

## **Market Commentary**

- The SGD swap curve flattened yesterday, with the shorter tenors and belly trading little change, while the longer tenors traded within 1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 13bps to 465bps.
- Flows in SGD corporates were heavy, with flows made up entirely of bullets, OHLSP 5.0%'19s, SLHSP 4.5%'25s, SRBJNG 4.11%'25s, OHLSP 5.15%'20s and SIASP 3.035%'25s.
- 10Y UST yields plunged 9bps to close the session at 2.53%, after the Federal Reserve's statement following its policy meeting that it would maintain interest rates steady, flagging out an expected economic slowdown and geopolitical headwinds from Brexit and US-China trade negotiations.

## **Credit Headlines**

**Frasers Property Ltd ("FPL") | Issuer Profile: Neutral (4) and Frasers Centrepoint Trust ("FCT") | Issuer Profile: Neutral (3)**

- FPL is selling 50%-stake in 2 Southbank Boulevard for AUD326.2mn (SGD313.2mn). This is a prime office tower in Melbourne, and the gross sale price represents an initial yield of 4.8%.
- Meanwhile, FPL is buying a further 29.99% stake in PGIM Real Estate AsiaRetail Fund Ltd ("PGIM Fund") for SGD601.5mn, bringing FPL's total stake in the company to 47.82% [following its initial purchase](#).
- Separately, we note that Frasers Centrepoint Trust ("FCT"), which is 42.02% held by FPL, now [holds 18.8%-stake in the PGIM Fund](#) after buying an additional 1.67% stake for SGD33.5mn. As such, FPL in total has a deemed 66.6%-stake interest in PGIM Fund (including FCT's stake).
- We think FPL may explore enhancing the suburban retail assets in the PGIM Fund.
- We expect net gearing of FPL to increase to ~90% (1QFY2019: 87%) following the above divestment and acquisition. (Company, OCBC)

**Table 1: Key Financial Indicators**

	21-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	74	7	2
iTraxx SovX APAC	49	-2	-8
iTraxx Japan	60	4	1
iTraxx Australia	76	9	5
CDX NA IG	65	6	3
CDX NA HY	107	0	0
iTraxx Eur Main	66	6	0
iTraxx Eur XO	264	-5	-28
iTraxx Eur Snr Fin	79	7	-2
iTraxx Sovx WE	19	-1	-5
AUD/USD	0.716	1.30%	0.90%
EUR/USD	1.143	1.11%	0.83%
USD/SGD	1.346	0.74%	0.55%
China 5Y CDS	50	4	-1
Malaysia 5Y CDS	66	5	-5
Indonesia 5Y CDS	105	8	-5
Thailand 5Y CDS	47	3	0

	21-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	68.45	1.81%	2.06%
Gold Spot (\$/oz)	1,316.04	1.53%	-0.57%
CRB	185.60	1.20%	1.20%
GSCI	439.49	1.85%	2.64%
VIX	13.91	3.73%	-3.80%
CT10 (bp)	2.526%	-9.50	-11.84
USD Swap Spread 10Y (bp)	1	0	0
USD Swap Spread 30Y (bp)	-24	-2	-4
US Libor-OIS Spread (bp)	21	0	-4
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	25,746	0.17%	-0.41%
SPX	2,824	0.47%	1.78%
MSCI Asiax	664	1.76%	1.89%
HSI	29,321	1.78%	2.41%
STI	3,208	0.38%	-2.14%
KLCI	1,684	0.36%	-2.69%
JCI	6,483	1.65%	-0.84%

## New issues

- China South City Holdings Ltd has priced a USD200mn 2-year bond (guarantors: certain restricted subsidiaries incorporated outside of the PRC) at 12.125%, tightening from IPT of 12.375% area.
- Huayuan Property Co Ltd has priced a USD300mn 2.5-year bond at 8.5%, in line with the final guidance.
- Sunac China Holdings Ltd has priced a USD200mn re-tap of its existing SUNAC 8.35%'23s at par (yield: 8.35%).
- Bank of Baroda has mandated banks for its potential USD bond issuance.
- NTPC Ltd has scheduled investor meetings from 21-25 March for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
20-Mar-19	China South City Holdings Ltd	USD200mn	2-year	12.125%
20-Mar-19	Huayuan Property Co Ltd	USD300mn	2.5-year	8.5%
20-Mar-19	Sunac China Holdings Ltd	USD200mn	SUNAC 8.35%'23s	100
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

Source: OCBC, Bloomberg

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