

June 3, 2019

Credit Headlines: Australia & New Zealand Banking Group Ltd, CapitalLand Ltd, City Developments Ltd, Frasers Property Ltd, Frasers Centrepoint Trust

Market Commentary

- The SGD swap curve bull-flattened last Friday, with the shorter tenors and belly trading 1-4bps lower while the longer tenors traded 5-9bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 141bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 513bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, FPLSP 4.98%-PERPs, CMZB 4.2%'28s, CMZB 4.875%'27s, WINGTA 4.35%-PERPs, ESRCA 6.75%'22s, HSBC 4.7%-PERPs and UOBSP 3.5%'29s.
- 10Y UST yields tumbled by 9bps to 2.12%, a 20-month low after US President Donald Trump said the US would impose a 5% tariff on all Mexican goods in response to the illegal immigration situation, fuelling broad risk-off sentiments and a flight to quality in the market. It was also announced on Friday that India's special trade status will be removed. The yield curve between 3-month treasury bills and 10-year treasury notes has inverted further to -21bps on Friday.

Credit Headlines

Australia & New Zealand Banking Group Ltd ("ANZ") | Issuer Profile: Positive (2)

- ANZ has announced the completion of its AUD2.85bn sale of its Australian life insurance business to Zurich Financial Services. This sale of the OnePath Life unit was first announced 18 months ago.
- ANZ will continue to sell life insurance products through its sales channels which will be provided by Zurich under a 20-year agreement.
- This sale like others before it is in line with ANZ's strategy to simplify its business structure and will be accretive to ANZ's industry leading CET1 position. Its current APRA compliant CET1 ratio of 11.5% as at 31 March 2019 is well above APRA's minimum 10.5% CET1 benchmark for 'unquestionably strong' capital ratios in Australia's banking sector (comes into force January 2020). Including this divestment as well as other announced divestments in Cambodia and Papua New Guinea and the sale of OnePath pensions and investments to IOOF Holdings Limited, ANZ's 31 March 2019 CET1 ratio on a pro forma basis would rise to around 12.1%.
- In our view, ANZ's fundamentals remain consistent with our Positive (2) issuer profile given progress of their restructuring plans, on-going resilience in earnings and its solid balance sheet. (OCBC, Company)

CapitalLand Ltd ("CAPL") | Issuer Profile: Neutral (3), City Developments Ltd ("CDL") | Issuer Profile: Neutral (3), Frasers Property Ltd ("FPL") | Issuer Profile: Neutral (4), Frasers Centrepoint Trust ("FCT") | Issuer Profile: Neutral (3)

- According to Business Times, CAPL and CDL acquired Liang Court mall last Friday for SGD400mn in a 50-50 JV. The seller is PGIM Real Estate Asia Retail Fund ("PGIM Fund"). To recap, [the PGIM Fund is 47.82%-owned by FPL and 18.8%-owned by FCT](#).
- The credit impact should be manageable for CAPL and CDL given their large total asset size at SGD66.5bn and SGD21.5bn respectively.
- It is unclear if the PGIM Fund would upstream the proceeds of the sale (which can potentially benefit FPL and FCT somewhat). We continue to hold the Issuer Profiles of CAPL, CDL, FPL and FCT unchanged. (Company, OCBC)

Table 1: Key Financial Indicators

| | 3-Jun | 1W chg (bps) | 1M chg (bps) |
|--------------------|-------|--------------|--------------|
| iTraxx Asiax IG | 80 | 6 | 15 |
| iTraxx SovX APAC | 52 | 3 | 9 |
| iTraxx Japan | 69 | 5 | 15 |
| iTraxx Australia | 79 | 5 | 12 |
| CDX NA IG | 70 | 6 | 13 |
| CDX NA HY | 105 | -1 | -3 |
| iTraxx Eur Main | 72 | 4 | 13 |
| iTraxx Eur XO | 310 | 17 | 58 |
| iTraxx Eur Snr Fin | 92 | 5 | 22 |
| iTraxx Sovx WE | 19 | 1 | 2 |
| AUD/USD | 0.695 | 0.52% | -0.91% |
| EUR/USD | 1.119 | -0.08% | -0.12% |
| USD/SGD | 1.371 | 0.29% | -0.78% |
| China 5Y CDS | 60 | 7 | 19 |
| Malaysia 5Y CDS | 74 | 7 | 18 |
| Indonesia 5Y CDS | 115 | 8 | 19 |
| Thailand 5Y CDS | 38 | 2 | 2 |

| | 3-Jun | 1W chg | 1M chg |
|----------------------------|----------|---------|---------|
| Brent Crude Spot (\$/bbl) | 61.08 | -12.88% | -13.79% |
| Gold Spot (\$/oz) | 1,312.10 | 2.08% | 2.58% |
| CRB | 175.36 | -0.88% | -3.53% |
| GSCI | 407.76 | -4.53% | -7.50% |
| VIX | 18.71 | 10.58% | 45.38% |
| CT10 (bp) | 2.125% | -19.56 | -40.04 |
| USD Swap Spread 10Y (bp) | -4 | 1 | -3 |
| USD Swap Spread 30Y (bp) | -27 | 1 | -4 |
| US Libor-OIS Spread (bp) | 17 | 2 | 1 |
| Euro Libor-OIS Spread (bp) | 5 | -1 | -1 |
| DJIA | 24,815 | -2.65% | -6.38% |
| SPX | 2,752 | -2.49% | -6.57% |
| MSCI Asiax | 615 | -0.17% | -9.49% |
| HSI | 26,845 | -1.62% | -10.76% |
| STI | 3,114 | -1.80% | -8.22% |
| KLCI | 1,644 | 2.64% | 0.39% |
| JCI | 6,209 | 2.92% | -1.75% |

New issues

- Adani Green Energy (UP) Ltd, Prayatna Developers Pte Ltd and Parampujya Solar Energy Pte Ltd (all of which subsidiaries of Adani Green Energy Ltd) has priced a USD500mn 5.5-year bond at 6.25%, tightening from IPG of 6.5%.

| <u>Date</u> | | <u>Size</u> | <u>Tenor</u> | <u>Pricing</u> |
|-------------|--|-------------|-----------------|-------------------|
| 31-May-19 | Adani Green Energy (UP) Ltd, Prayatna Developers Pte Ltd & Parampujya Solar Energy Pte Ltd | USD500mn | 5.5-year | 6.25% |
| 30-May-19 | Hejun Shunze Investment Co Ltd | USD220mn | LGUANG 12%'21s | 11.125% |
| 30-May-19 | Perfect Point Ventures Ltd | USD250mn | 3-year | 6.35% |
| 30-May-19 | Xinjiang Zhongtai (Group) Co Ltd | USD380mn | 3-year | 7.25% |
| 30-May-19 | Singapore Press Holdings Ltd | SGD150mn | NC5-perpetual | 4.50% |
| 29-May-19 | Xi Yang Overseas Ltd | USD500mn | 5-year | 4.43% |
| 29-May-19 | GS Caltex Corp | USD300mn | 5-year | T+100bps |
| 29-May-19 | Bank of China Ltd of Macau | USD200mn | 2-year | 2.50% |
| 29-May-19 | Credit Suisse Group AG | SGD750mn | NC5-perpetual | 5.625% |
| 28-May-19 | Chongqing Nan'an Urban Construction & Development Group Co Ltd | USD500mn | 5-year | 4.80% |
| 28-May-19 | KEB Hana Bank | USD400mn | 5-year | 3M-US LIBOR+75bps |
| 28-May-19 | Delhi International Airport Ltd | USD350mn | 10-year | 6.45% |
| 28-May-19 | Export-Import Bank of China | USD100mn | 5-year | 3M-US LIBOR+65bps |
| 27-May-19 | Agile Group Holdings Ltd | USD600mn | NC4.5-perpetual | 8.375% |
| 27-May-19 | RongXingDa Development BVI Ltd | USD175mn | RISSUN 8.0%'22s | 8.75% |

Source: OCBC, Bloomberg

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