

Sept 17, 2018

Credit Headlines: City Developments Ltd

Market Commentary

- The SGD swap curve steepened last Friday, with swap rates trading 2-3bps higher across most tenors (with the exception of the 20-year swap rates trading 1bps lower).
- Flows in SGD corporates were heavy last Friday, with better buying seen in DBSSP 3.98-PERPs, CMZB 4.2%'28s, OCBCSP 4.0%-PERPs and CCB 2.643%'20s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 10bps to 486bps.
- 10Y UST yields rose 3bps to close at 3.0% last Friday, breaking the key 3.0% level since 2 Aug on the back of solid US economic data and signs that the Fed is likely to raise interest rates two more times in 2018.

Credit Headlines:

City Developments Ltd (“CDL”) | Issuer Profile: Positive (2)

- CDL has acquired Aldgate House in London for GBP183mn (~SGD328mn), following an [earlier announcement to purchase an office asset for SGD300mn](#). Aldgate House, with NLA of 211,000 sq ft and 88% occupancy rate, is a prime freehold Grade A commercial building with ~5% passing yield and weighted average lease to expiry of 7.9 years. CDL expects strong potential for positive rental reversion as over 45% of rentals in the building are below market rents.
- [As mentioned previously](#), we think net gearing may continue increasing to reach near 30%, factoring the latest Aldgate acquisition, settlements for the recent land purchases and AEI. (Company, OCBC)

Table 1: Key Financial Indicators

	17-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	78	-3	-6
iTraxx SovX APAC	12	-1	1
iTraxx Japan	52	-2	-5
iTraxx Australia	70	-3	-5
CDX NA IG	56	-2	-5
CDX NA HY	107	0	1
iTraxx Eur Main	60	-1	-11
iTraxx Eur XO	283	2	-23
iTraxx Eur Snr Fin	69	-3	-18
iTraxx Sovx WE	24	-1	-4
AUD/USD	0.715	0.46%	-2.26%
EUR/USD	1.163	0.28%	1.65%
USD/SGD	1.374	0.33%	-0.23%
China 5Y CDS	55	-4	-7
Malaysia 5Y CDS	96	-7	7
Indonesia 5Y CDS	134	-10	9
Thailand 5Y CDS	41	-2	-1

	17-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	78.00	0.81%	8.59%
Gold Spot (\$/oz)	1,193.48	-0.20%	0.78%
CRB	190.48	0.07%	0.92%
GSCI	464.38	0.73%	2.82%
VIX	12.07	-18.88%	-4.51%
CT10 (bp)	2.996%	5.71	9.74
USD Swap Spread 10Y (bp)	7	1	-1
USD Swap Spread 30Y (bp)	-6	1	0
TED Spread (bp)	19	-1	-6
US Libor-OIS Spread (bp)	19	-2	-6
Euro Libor-OIS Spread (bp)	3	0	-1
DJIA	26,155	0.92%	1.89%
SPX	2,905	1.16%	1.92%
MSCI Asiax	648	2.05%	0.60%
HSI	27,286	1.16%	0.27%
STI	3,161	0.86%	-1.50%
KLCI	1,804	0.29%	1.14%
JCI	5,931	2.69%	2.55%

New issues

- China Merchants Bank Co Ltd has scheduled for investor meetings from 17 Sept for its potential USD bond issuance.
- Haichuan International Investment Co Ltd has scheduled for investor meetings from 18-19 Sept for its potential USD bond issuance (guaranteed by Jiangsu Fang Yang Group Co Ltd).
- Agricultural Development Bank of China has scheduled for investor meetings from 17 Sept for its potential USD/CNH bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
13-Sept-18	China Everbright Bank Co Ltd, Hong Kong Branch	USD300mn	3-year	3mL+85bps
13-Sept-18	Xingsheng (BVI) Company Ltd	USD500mn	3-year	CT3+180bps
13-Sept-18	Hejun Shunze Investment Co Ltd	USD250mn	2-year	12.0%
13-Sept-18	Republic of Korea	USD500mn	10-year	CT10+60bps
13-Sept-18	Republic of Korea	USD500mn	30-year	CT30+85bps
13-Sept-18	China Construction Bank Corporation Singapore Branch	SGD300mn	2-year	2.643%
12-Sept-18	Inventive Global Investment Ltd	USD300mn	3-year	CT3+110bps
12-Sept-18	Inventive Global Investment Ltd	USD500mn	3-year	3mL+85bps
12-Sept-18	Bangkok Bank Public Company Limited	USD600mn	5.5-year	CT5.5+122.5bps
12-Sept-18	Bangkok Bank Public Company Limited	USD600mn	10-year	CT10+152.5bps
12-Sept-18	Mitsubishi UFJ Lease & Finance Co Ltd	USD500mn	5-year	CT5+110bps
12-Sept-18	AIA Group Ltd	USD500mn	3-year	3mL+52bps
11-Sept-18	Bank of China (Hong Kong) Ltd	USD3bn	PerpNC5	5.90%
11-Sept-18	China Southern Power Grid International Finance BVI Co Ltd	USD600mn	5-year	CT5+105bps

Source: OCBC, Bloomberg

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