

June 27, 2018

**Credit Headlines:** CapitaLand Ltd, Industry Outlook – Singapore Residential Property

## **Market Commentary**

- The SGD swap curve steepened yesterday, with swap rates trading within 1bps across most tenors (with the exception of the 12-year swap rates trading 1-2bps higher).
- Flows in SGD corporates were light yesterday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 144bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 483bps.
- 10Y UST yields rose 2bps initially to 2.90% due to expectations of the US central bank continuing to raise interest rates. 10Y UST yields reversed 2bps subsequently to close at 2.88% as concerns lingered that a trade war could harm economic growth.

## **Credit Headlines:**

### **CapitaLand Ltd (“CAPL”) | Issuer Profile: Neutral (3)**

- CAPL announced a RMB5.7bn (SGD1.19bn) acquisition of a prime 32-hectare mixed-use site in Chongqing, China. The site area comprises 2 greenfield plots with GFA of 335,000 sqm (80% of which can be developed into ~1,900 residential units and the remaining 20% into retail/office) and several brownfield sites with 223 residential units and 100,000 sqm of retail/office space.
- CAPL expects immediate sales and profits recognition from the handover of residential units that will be completed soon.
- The cash consideration is RMB2.2bn (SGD459mn), which takes into account the net asset value of the acquisition. Together with the Pearl Bank Apartments acquisition (SGD728mn) which may be settled in the near term, we expect net gearing to increase to ~55% (1Q2018: 49%).

## **Industry Outlook – Singapore Residential Property**

- The government has announced the Government Land Sales (“GLS”) Programme for 2H2018, with 2,705 units under the confirmed sites and 5,335 units under the reserve sites.
- The 2H2018 GLS supply is in-line with that in 2H2017 and 1H2018. According to URA, private housing supply is healthy with 20,000 units from GLS and en-bloc sites, on top of 24,000 unsold units from projects with planning approval. Another 30,000 existing private housing units remain vacant.
- We maintain [our view that the optimism of Singapore’s property market can be maintained through 2018, though we are wary going into 2019 given the ample supply.](#)

**Table 1: Key Financial Indicators**

	27-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	86	7	11
iTraxx SovX APAC	14	1	2
iTraxx Japan	54	1	9
iTraxx Australia	75	4	9
CDX NA IG	66	3	2
CDX NA HY	106	-1	0
iTraxx Eur Main	74	6	8
iTraxx Eur XO	316	15	17
iTraxx Eur Snr Fin	88	10	12
iTraxx Sovx WE	27	4	2
AUD/USD	0.739	0.29%	-2.08%
EUR/USD	1.165	0.66%	0.20%
USD/SGD	1.363	-0.34%	-1.50%
China 5Y CDS	63	6	8
Malaysia 5Y CDS	105	2	21
Indonesia 5Y CDS	135	1	22
Thailand 5Y CDS	48	2	3

	27-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	76.49	2.34%	0.07%
Gold Spot (\$/oz)	1,258.16	-0.77%	-3.15%
CRB	197.24	1.76%	-3.00%
GSCI	473.06	2.25%	-1.87%
VIX	15.92	19.25%	20.42%
CT10 (bp)	2.880%	-5.86	-5.10
USD Swap Spread 10Y (bp)	7	1	3
USD Swap Spread 30Y (bp)	-7	0	3
TED Spread (bp)	43	1	0
US Libor-OIS Spread (bp)	40	1	-3
Euro Libor-OIS Spread (bp)	3	0	0
DJIA	24,283	-1.69%	-1.90%
SPX	2,723	-1.43%	0.06%
MSCI Asiax	675	-2.74%	-5.66%
HSI	28,881	-1.99%	-5.58%
STI	3,281	-0.62%	-6.61%
KLCI	1,676	-2.30%	-6.76%
JCI	5,826	-2.80%	-2.51%

## New issues

- Huarong Finance 2017 Co Ltd has priced a USD950mn deal across two-tranches (guaranteed by China Huarong International Holdings Ltd), with the USD400mn 3-year FRN priced at 3mL+117.5bps, tightening from its initial price guidance of 3mL+145bps and the USD550mn 5-year FRN priced at 3mL+132.5bps, tightening from its initial price guidance of 3mL+160bps.
- Huarong Finance 2017 Co Ltd has also priced a USD150mn re-tap of its HRAM 4.75%'27 bond (keepwell/EIPU provider: China Huarong Asset Management Co Ltd) at CT9+245bps, tightening from its initial price guidance of CT9+265bps area.
- Toyota Motor Corp has hired banks for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
26-Jun-18	Huarong Finance 2017 Co Ltd (re-tap)	USD150mn	HRAM 4.75%'27	CT9+245bps
26-Jun-18	Huarong Finance 2017 Co Ltd	USD550mn	5-year	3mL+132.5bps
26-Jun-18	Huarong Finance 2017 Co Ltd	USD400mn	3-year	3mL+117.5bps
25-Jun-18	Far East Horizon Ltd	USD400mn	3-year	3mL+200bps
21-Jun-18	Agile Group Holdings Ltd	USD100mn	Perp NC3	8.55%
21-Jun-18	Horse Gallop Finance Ltd	USD700mn	3-year	3mL+118bps
21-Jun-18	Zhenro Properties Group Ltd	USD250mn	2-year	11.5%
20-Jun-18	Guangsha Holding Group Co Ltd	USD300mn	364-day	7.0%
20-Jun-18	GS Caltex Corp	USD300mn	5-year	CT5+120bps
19-Jun-18	Korea Development Bank	CNH1.75bn	3-year	4.6%
19-Jun-18	Greenland Hong Kong Holdings Ltd	USD200mn	364-day	7.875%
15-Jun-18	Greenland Global Investment Ltd	USD250mn	3.25-year	3mL+485bps
14-Jun-18	CFLD Cayman Investment Ltd	USD200mn	3-year	9.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	HKD2.6bn	2-year	3.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	5-year	3mL+85bps
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	3-year	3mL+75bps

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