

Aug 28, 2018

**Credit Headlines:** Pacific Radiance Ltd, CapitaLand Ltd

## **Market Commentary**

- The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-4bps lower.
- Flows in SGD corporates were heavy yesterday, with better buying seen in OCBCSP 4.0%-PERPs and GEMAU 5.5%'19s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 481bps.
- 10Y UST yields rose 3bps to close at 2.85% as investor pared safe-haven holdings after Mexico and the United States reached a deal in the renegotiation of the North American Free Trade Agreement (NAFTA).

## **Credit Headlines:**

### **Pacific Radiance Ltd (“PACRA”) | Not Rated**

- PACRA successfully passed its second consent solicitation exercise for the restructuring of its SGD100mn PACRA 4.3% '18s in its noteholders meeting last Friday.
- As a reminder, we covered the key terms of the restructuring and our recommendation in our [credit update](#) dated August 10<sup>th</sup>.
- Next steps will be the election by noteholders of either option 1 or 2 by end of September followed by sanctioning of the scheme and then SGX and shareholder approval before the end of the year.
- We will monitor developments and update if need be. (Company, OCBC)

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

- CAPL is proposing to divest 70% interest in Westgate Mall in Singapore's Jurong Lake District to Capitaland Mall Trust (CMT), its 28%-owned subsidiary for SGD789.6mn which translates to a net gain of about SGD99.2mn for CAPL. Including transaction costs and assuming CMT takes over Westgate's existing debt, the acquisition outlay is approximately SGD806mn for CMT.
- The agreed market value of Westgate is SGD2,746 per sq ft (with an estimated property yield of 4.3%); lower than the sale of Jurong Point to Mercatus in April 2017 which was reportedly at SGD3,343 per sq ft. However, it is worth noting that Mercatus as an unlisted long term buyer is likely to have a lower required return versus the required returns demanded by unitholders at CMT, which may indicate a higher need for the deal to be fully debt funded.
- Since this is an interested party transaction, the deal is conditional on CMT's unitholders' approval. We see this transaction as credit neutral to CAPL given the small scale versus CAPL's total asset of SGD62.5bn as at 30 June 2018.
- Due to OCBC's engagement in other business activities, we have suspended our coverage on CMT until these activities are completed. (Company, OCBC)

**Table 1: Key Financial Indicators**

	28-Aug	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	78	-4	1
iTraxx SovX APAC	11	0	-1
iTraxx Japan	54	-1	-1
iTraxx Australia	72	-2	-1
CDX NA IG	59	-3	0
CDX NA HY	107	0	0
iTraxx Eur Main	66	-5	4
iTraxx Eur XO	285	-19	4
iTraxx Eur Snr Fin	80	-5	6
iTraxx Sovx WE	28	0	3
AUD/USD	0.735	-0.27%	-0.80%
EUR/USD	1.168	0.97%	-0.20%
USD/SGD	1.362	0.26%	-0.09%
China 5Y CDS	55	-6	-1
Malaysia 5Y CDS	86	-3	4
Indonesia 5Y CDS	116	-7	8
Thailand 5Y CDS	41	-1	-1

	28-Aug	1W chg	1M chg
Brent Crude Spot (\$/bbl)	76.35	5.12%	2.77%
Gold Spot (\$/oz)	1,211.71	1.31%	-0.80%
CRB	192.87	1.98%	-0.66%
GSCI	465.06	2.81%	0.09%
VIX	12.16	-2.64%	-6.68%
CT10 (bp)	2.851%	2.16	-10.28
USD Swap Spread 10Y (bp)	8	1	2
USD Swap Spread 30Y (bp)	-5	2	0
TED Spread (bp)	23	-5	-11
US Libor-OIS Spread (bp)	23	-2	-11
Euro Libor-OIS Spread (bp)	3	-1	0
DJIA	26,050	1.13%	2.35%
SPX	2,897	1.39%	2.76%
MSCI Asiax	669	1.79%	-1.34%
HSI	28,271	2.44%	-1.85%
STI	3,226	0.50%	-2.99%
KLCI	1,812	1.58%	2.40%
JCI	6,026	4.19%	0.61%

## New issues

- There were no new issuances over 27 Aug 2018.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
23-Aug-18	Redco Properties Group Ltd	USD200mn	2-year	11.0%
23-Aug-18	Mapletree Treasury Services Ltd	SGD300m	8-year	3.4%
23-Aug-18	Perennial Real Estate Holdings Ltd	SGD10mn	PREHSP 5.95%'20s	5.95%
22-Aug-18	National Australia Bank Ltd	EUR750mn	5-year	MS+36bps
22-Aug-18	National Australia Bank Ltd	EUR1.25bn	10-year	MS+53bps
21-Aug-18	JGC Ventures Pte Ltd	USD150mn	3NC1	10.75%
21-Aug-18	Fufeng Group Ltd	USD350mn	3-year	CT3+325bps
21-Aug-18	Logan Property Holdings Co Ltd	USD300mn	3NC2	7.75%
21-Aug-18	ABN Amro Group NV	USD1bn	3-year	CT3+75bps
21-Aug-18	ABN Amro Group NV	USD1bn	3-year	3mL+57bps
21-Aug-18	Commerzbank AG	EUR1.25bn	5-year	MS+35bps
21-Aug-18	Commerzbank AG	EUR500mn	10-year	MS+65bps
20-Aug-18	Singtel Group Treasury Pte Ltd	USD500mn	10-year	CT10+105bps
20-Aug-18	Zhejiang Baron (BVI) Company Limited	USD200mn	3-year	6.8%

Source: OCBC, Bloomberg

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