

Sept 4, 2018

Credit Headlines: Frasers Commercial Trust, Société Générale, Sabana Shari'ah Compliant Industrial REIT, CWT International Limited

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading within 1bps of last Friday's curve while the longer tenors were 1-2bps higher (with the exception of the 30-year swap rates trading 2bps lower).
- Flows in SGD corporates were heavy yesterday, with better buying seen in OCBCSP 4.0%-PERPs and better selling seen in GEMAU 5.5%'19s.
- Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged at 140bps and 484bps respectively.
- 10Y UST yields remain unchanged as US markets were closed for the Labour day public holiday.

Credit Headlines:

Frasers Commercial Trust ("FCOT") | Issuer Profile: Neutral (4)

- Proceeds from the [sale of 55 Market Street](#), Singapore for SGD216.8mn (completed on 31 August 2018) were used to fully repay loans maturing in 2018 (SGD40mn) and 2019 (SGD156.6mn), leaving FCOT with no outstanding short term debt.
- As a result, aggregate leverage is reduced significantly to 29.5% from 35.4% as at 30 June 2018. Debt maturity is accordingly extended from 2.4 years to 2.9 years as at 3 September 2018. This provides FCOT with debt headroom and flexibility to acquire assets from sponsor.
- As mentioned [previously](#), FCOT has over SGD4bn in right of first refusal properties from Frasers Property Group (OCBC, Company)

Société Générale ("SG") | Issuer Profile: Neutral (4)

- SG announced that it is close to finalizing a settlement with US authorities and agencies regarding investigations into transactions conducted with countries subject to US economic sanctions.
- As at 30 June 2018, provisions for disputes were EUR1.53bn and SG has indicated that approximately EUR1.2bn of this is allocated for this matter.
- SG expects that the existing provision allocation should substantially cover any expected fines, although we note that there remains little buffer for additional fines should these occur.
- Our Neutral (4) issuer profile on SG considers fundamental challenges including earnings challenges from prevailing industry dynamics (weak French Retail Banking from low interest rates), on-going litigation and recent management changes. This is balanced however by SG's solid capital ratios which continue to insulate the credit profile for now. Its CET1 ratio of 11.1% as at 30 June 2018 still remains above SG's minimum phased in CET1 ratio requirement of 8.63% as disclosed in SG's annual report. Including senior non-preferred debt issues and other TLAC adjustments, SG's reported TLAC ratio was 21.9% as at 30 June 2018, up from 21.4% as at 31 December 2017 and above the Financial Stability Board's 2019 and 2022 minimum requirements of 19.5% and 21.5% respectively. (Company, OCBC)

Credit Headlines (cont'd):

Sabana Shari'ah Compliant Industrial REIT ("SSREIT") | Issuer Profile: Neutral (5)

- SSREIT has announced that it has issued a notice of termination to the tenant at 10 Changi South Street 2 arising from the tenant's failure to pay rent and other sums payable under the lease agreement. The rental arrears is SGD2.1mn of which SSREIT is intending to offset these with SGD3.6mn in monies held by SSREIT from the security deposit and other amounts that may be payable to the tenant for works done on the property. SSREIT is in discussions with replacement tenants for the property.
- 10 Changi South Street 2 contributed 6.5% to SSREIT's gross revenue in 2Q2018. Taking this out, EBITDA/Interest coverage may drop to 2.8x, lower than the 3.1x in 2Q2018, though just somewhat below the 2.9x in 2Q2017. For now we are maintaining SSREIT at an issuer profile of Neutral (5). (Company, OCBC)

CWT International Limited ("CWTI") | Issuer Profile: Negative (6)

- CWTI announced that its wholly-owned subsidiary CWT Pte Limited ("CWT SG") / Issuer has disposed 43.66mn units in Cache Logistics Trust ("Cache") via an off market block trade transaction for ~SGD32.3mn, the selling price of each Cache unit was SGD0.74. As at 1 March 2018, CWT SG held 43.66mn (representing a 4.08%-stake in Cache). In addition to the warehouses held by CWT, CWTI is intending to sell its investment property in the UK (17 Columbus Courtyard in Canary Wharf) and is holding this as a "held for sale" asset on its book, with book value of HKD1.3bn. (Company, OCBC)

Table 1: Key Financial Indicators

	4-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	84	5	2
iTraxx SovX APAC	11	1	0
iTraxx Japan	54	0	-1
iTraxx Australia	74	3	-1
CDX NA IG	60	2	1
CDX NA HY	107	0	0
iTraxx Eur Main	68	3	4
iTraxx Eur XO	298	12	2
iTraxx Eur Snr Fin	84	3	5
iTraxx Sovx WE	28	0	2
AUD/USD	0.720	-1.92%	-2.57%
EUR/USD	1.161	-0.74%	0.48%
USD/SGD	1.373	-0.65%	-0.35%
China 5Y CDS	60	5	-2
Malaysia 5Y CDS	95	9	11
Indonesia 5Y CDS	131	15	16
Thailand 5Y CDS	42	2	-1

	4-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	78.04	2.75%	6.60%
Gold Spot (\$/oz)	1,200.28	-0.06%	-0.61%
CRB	192.96	0.46%	-0.14%
GSCI	468.69	1.06%	1.42%
VIX	12.86	7.26%	10.48%
CT10 (bp)	2.857%	-2.37	-9.21
USD Swap Spread 10Y (bp)	7	0	0
USD Swap Spread 30Y (bp)	-6	-1	-1
TED Spread (bp)	23	0	-11
US Libor-OIS Spread (bp)	21	-1	-11
Euro Libor-OIS Spread (bp)	4	1	0
DJIA	25,965	0.68%	1.97%
SPX	2,902	0.93%	2.15%
MSCI Asiax	661	-1.59%	-0.08%
HSI	27,713	-1.98%	0.13%
STI	3,207	-0.57%	-1.79%
KLCI	1,814	0.28%	1.88%
JCI	5,968	-0.97%	-0.67%

New issues

- CFLD Cayman Investment Ltd has priced a USD120mn re-tap of its CHFOTN 9%'21s at 8.993%, tightening from its final price guidance of 9.0%.
- First Abu Dhabi Bank PJSC has priced a CNH650mn 3-year bond at 4.5%, in line with its initial price guidance.
- Country Garden Holdings has priced a USD750mn 7-year bond at 5.125%.
- United Overseas Bank Ltd has priced a EUR500mn 5-year covered bond at MS+7bps, tightening from its final price guidance of MS+10bps area.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
3-Sept-18	CFLD Cayman Investment Ltd	USD120mn	CHFOTN 9%'21s	8.993%
3-Sept-18	First Abu Dhabi Bank PJSC	CNH650mn	3-year	4.5%
3-Sept-18	Country Garden Holdings	USD750mn	7-year	5.125%
3-Sept-18	United Overseas Bank Ltd	EUR500mn	5-year	MS+7bps
30-Aug-18	Vigorous Champion International Ltd	USD500mn	5-year	CT5+167.5bps
30-Aug-18	Chalco Hong Kong Investment Co Ltd	USD400mn	3-year	CT3+235bps
30-Aug-18	Gemdale Ever Prosperity Investment Limited	USD150mn	3NC2	6.0%
30-Aug-18	Central Japan Railway Co Ltd	USD350mn	5-year	CT5+65bps
30-Aug-18	Singtel Optus Pty	AUD500mn	5-year	ASW+102bps
29-Aug-18	China Aoyuan Property Group Ltd	USD225mn	3NCNP2	7.95%
29-Aug-18	China Aoyuan Property Group Ltd	SGD100mn	3NCNP2	7.15%
29-Aug-18	Asahi Mutual Life Insurance Co Ltd	USD430mn	Perp NC5	6.5%
28-Aug-18	Lingang Wings Inc	USD300mn	3-year	4.88%
28-Aug-18	Huafa Group 2018 I Company Ltd	USD500mn	3-year	5.4%

Source: OCBC, Bloomberg

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