

### Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors traded around 1bps lower, while the belly and longer tenors traded 1-1.3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 132bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 537bps.
- Flows in SGD corporates were heavy, with large ticket flows in UBS 4.85%-PERPs. We also saw flows in MAPLSP 3.15%'31s, UOBSP 3.58%-PERPs, ARASP 5.6%-PERPs, FPLSP 4.98%-PERPs, SIASP 3.13%'26s, CS 5.625%-PERPs, SPHRSP 4.1%-PERPs, MAPLSP 3.95%-PERPs, HSBC 4.7%-PERPs and SIASP 3.13%'27s.
- 10Y USTs yields fell 1bps to 1.67% on low volumes, reversing the rise in yields earlier in the day. Outgoing ECB President Mario Draghi said, during an interview with the Financial Times, that there is a need for fiscal policy easing to support the EU's growth prospects. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -14bps.

### Credit Summary:

- **Hyflux Ltd | Unrated:** HYF announced a further 2 month extension to the current debt moratorium, bringing the expiry to 2 Dec 2019 with a case management conference and a further hearing scheduled on 31 October and 29 November respectively. Although there is still no definitive agreement between HYF and Utico FZC, the apparent existence of other interested parties as mentioned by HYF appears to have given the court comfort that the debt moratorium can continue to move forward, even if a deal with Utico FZC cannot be achieved. While progress has been made, completion risk remains elevated in our view.
- **Industry Outlook - Singapore Property:** According to URA flash estimates, 3Q2019 private residential property prices rose 0.9% q/q. Over the past 2 quarters, there has been a divergence in trend with prices in the core central region and rest of central region picking up faster than outside central region. We may revise our cautious outlook on the Singapore property sector, pending the full release of the URA data which is expected in the latter part of this month.
- **UBS AG | Neutral (3):** UBS announced that due to amendments to Swiss tax laws that apply to capital instruments of holding companies, it will be substituting the issuing entity for certain existing additional Tier 1 (AT1) notes issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG, with UBS Group AG. This includes the SGD700mn UBS 5.875 PERPc23s. The credit view remains unchanged from the substitution given existence of guarantee.
- **Keppel REIT | Neutral (4):** KREIT has entered into a property sale agreement to sell strata lots at Bugis Junction Towers to Village Prop. Pte. Ltd. The sale price of the property is SGD547.5mn, which is 6.3% higher than the most recent independent valuation as at 8 August 2018. Assuming entire proceeds from the sale is used to pay transaction costs and loan repayment, KREIT's aggregate leverage will fall to 34.2% (30 June 2019: 38.4%). For now we are maintaining KREIT's issuer profile at Neutral (4) though will review this in conjunction with its impending 3Q2019 result announcement.

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**Asian Credit Daily****Credit Headlines****Hyflux Ltd (“HYF”) | Issuer Profile: Unrated**

- HYF announced a further 2 month extension to the current debt moratorium which was due to expire on 30 September. The court agreed to extend the moratorium until 2 December 2019 with a case management conference scheduled for 31 October and a further hearing scheduled on 29 November.
- Although firm details are yet to be presented, key to the extension appears to be the progress made to date with current interested party Utico FZC with a potential deal close at hand. Although there are still additional details yet to be agreed to (and as such no definitive agreement has been entered into with Utico FZC), the apparent existence of other interested parties as mentioned by HYF also appears to have given the court comfort that the debt moratorium can continue to move forward, even if a deal with Utico FZC cannot be achieved.
- Not all parties supported the extension according to [media reports](#) with a group comprising unsecured bank lenders objecting to the extension [given a lack of updates](#) and costs of the prolonged moratorium.
- While progress has been made, completion risk remains elevated in our view. (Company, Straits Times, Channel News Asia, OCBC)

**Industry Outlook - Singapore Property**

- According to URA flash estimates, 3Q2019 private residential property prices rose 0.9% q/q.
- Over the past 2 quarters, there has been a divergence in trend with prices in the core central region (“CCR”) and rest of central region (“RCR”) picking up faster than outside central region (“OCR”):
  - CCR: Price growth in 3Q2019 accelerated to +2.9% q/q (2Q2019: 2.3% q/q)
  - RCR: Price growth in 3Q2019 was +1.6% q/q (2Q2019: +3.5% q/q)
  - OCR: Prices growth in 3Q2019 was +0.4% q/q (2Q2019: 0.7% q/q)
- We note the price growth came on the back of decent home sales in July (1,179 units) and August (1,122).
- Overall, higher prices and increased sales bode well for developers under our coverage. We may revise our [cautious outlook](#) on the Singapore property sector, pending the full release of the URA data which is expected in the latter part of this month. (URA, Straits Times, OCBC)

**UBS Group AG (“UBS”) | Issuer Profile: Neutral (3)**

- [UBS announced](#) that due to amendments to Swiss tax laws that apply to capital instruments of holding companies, it will be substituting the issuing entity for some existing additional Tier 1 (AT1) notes issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG, with UBS Group AG.
- This includes the SGD700mn UBS 5.875 PERPc23s. The credit view remains unchanged from the substitution given existence of guarantee. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Keppel Real Estate Investment Trust (“KREIT”) | Issuer Profile: Neutral (4)

- KREIT has entered into a property sale agreement to sell strata lots at Bugis Junction Towers to Village Prop. Pte. Ltd. Per media reports, the main buyer for the property is a fund managed by a US-headquartered alternative investment manager, while a Singapore-based property investment manager, TCRE Partner will be taking a minority stake in the property.
- The sale price of the property is SGD547.5mn (6.3% above the most recent independent valuation as at 8 August 2019) vis-à-vis KREIT’s total assets of SGD7.9bn as at 30 June 2019.
- The property is a 15-storey office building, part of the Bugis Junction integrated development, completed in 1994, with ~70 years leasehold land tenure remaining and 100% occupied with a 6.2 years weighted average lease expiry.
- The REIT has not stated the exact use of sale proceeds, which may include paring down debt, using the monies for redeployment into new assets, distribution to unitholders and paying transaction related costs.
- Per company, assuming the entire proceeds is used to pay transaction costs and for loan repayment, KREIT’s aggregate leverage will fall to 34.2% (30 June 2019: 38.4%). For now we are maintaining KREIT’s issuer profile at Neutral (4) though will review this in conjunction with its impending 3Q2019 result announcement. (Company, Business Times, OCBC)

## Asian Credit Daily

### Key Market Movements

	01-Oct	1W chg (bps)	1M chg (bps)		01-Oct	1W chg	1M chg
iTraxx Asiax IG	76	1	12	<b>Brent Crude Spot (\$/bbl)</b>	59.50	-5.71%	-1.54%
iTraxx SovX APAC	36	0	-4	<b>Gold Spot (\$/oz)</b>	1,470.16	-4.03%	-3.87%
iTraxx Japan	63	1	2	<b>CRB</b>	173.94	-2.64%	2.10%
iTraxx Australia	67	1	4	<b>GSCI</b>	403.61	-3.99%	1.65%
CDX NA IG	60	-1	6	<b>VIX</b>	16.24	8.92%	-14.44%
CDX NA HY	107	0	0	<b>CT10 (%)</b>	1.684%	3.80	18.75
iTraxx Eur Main	55	0	6				
iTraxx Eur XO	232	7	-20	<b>AUD/USD</b>	0.675	-0.69%	0.57%
iTraxx Eur Snr Fin	64	-1	2	<b>EUR/USD</b>	1.090	-1.13%	-0.68%
iTraxx Eur Sub Fin	139	0	1	<b>USD/SGD</b>	1.383	-0.49%	0.59%
iTraxx Sovx WE	13	0	-3	<b>AUD/SGD</b>	0.934	0.19%	0.06%
<b>USD Swap Spread 10Y</b>	-10	3	1	<b>ASX 200</b>	6,699	-0.74%	1.44%
<b>USD Swap Spread 30Y</b>	-40	3	2	<b>DJIA</b>	26,917	-0.12%	1.95%
<b>US Libor-OIS Spread</b>	34	1	5	<b>SPX</b>	2,977	-0.50%	1.72%
<b>Euro Libor-OIS Spread</b>	5	0	-2	<b>MSCI Asiax</b>	618	-1.07%	1.44%
				<b>HSI</b>	26,092	-0.50%	1.43%
<b>China 5Y CDS</b>	48	0	1	<b>STI</b>	3,120	-1.12%	0.43%
<b>Malaysia 5Y CDS</b>	52	0	0	<b>KLCI</b>	1,584	-0.53%	-1.75%
<b>Indonesia 5Y CDS</b>	91	2	1	<b>JCI</b>	6,169	-0.60%	-2.52%
<b>Thailand 5Y CDS</b>	29	-1	-1	<b>EU Stoxx 50</b>	3,569	0.92%	4.16%
<b>Australia 5Y CDS</b>	20	0	1				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Doosan Infracore mandated banks for its potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
27-Sep-19	Zhongliang Holdings Group Co. Ltd	USD100mn	ZHLGHD 11.5%'21s	11.75%
27-Sep-19	Hongkong Ideal Investment Ltd	USD100mn	3NP2	14.75%
26-Sep-19	BOC Aviation Ltd	USD150mn	BOCAVI 3.0%'29s	T+150bps
26-Sep-19	Li & Fung Ltd	USD400mn	5-year	T+290bps
26-Sep-19	PCPD Capital Ltd	USD130mn	PCPDC 4.75%'22s	4.53%
26-Sep-19	ReNew Power Ltd	USD90mn	RPVIN 6.67%'24s	6.3%
26-Sep-19	Central China Real Estate Ltd	USD200mn	CENCHI 6.75%'21s	7.375%
26-Sep-19	Jinan Hi-tech Holding Group Co., Ltd	USD300mn	3-year	4.5%
25-Sep-19	CNOOC Finance (2013) Ltd	USD1.0bn USD500mn	10-year 30-year	T+120bps 3.3%
25-Sep-19	Woori Bank	USD550mn	Perp-NC5	4.25%
25-Sep-19	Hongkong International (Qingdao) Co., Ltd	USD300mn	5-year	4.0%
25-Sep-19	Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd	USD300mn	3-year	7.0%
25-Sep-19	RKPF Overseas 2019 (A) Ltd	USD480mn	5NC3	6.7%

Source: OCBC, Bloomberg

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