

### Market Commentary

- The SGD swap curve was little changed yesterday, with only the 1yr, 2yr and 10yr tenors higher by 1bps.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 132bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 551bps.
- Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, UOBSP 3.58%-PERPs, SOCGEN 6.125%-PERPs, FPLSP 4.98%-PERPs, ARASP 5.6%-PERPs, HSBC 5.0%-PERPs, STANLN 5.375%-PERPs, TMGSP 4.8%'22s, MAPLSP 3.4%'26s and CS 5.625%-PERPs.
- 10Y USTs yields gained 8bps to close at 1.64%, with recent higher than usual supply in the US high-grade bond market, and risk sentiment improving amid easing of the US-China trade tensions. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, though narrower at -27bps.

### Credit Summary:

- [CMA CGM \(acquired Neptune Orient Lines, "NOL"\)](#) | **Negative (6)**: CMA CGM announced 2Q2019 and 1H2019 results which were somewhat mixed in our view. On the plus side, reported EBITDA was up 344.6% and 301.8% for 2Q2019 and 1H 2019 respectively with calculated EBITDA/interest rising to 2.66x and 2.55x for 2Q2019 and 1H 2019 respectively from 1.78x and 1.85x in the previous corresponding period. However CMA CGM's adjusted free cashflow position was negative due to the CEVA acquisition and CMA CGM's balance sheet credit metrics remain weak with net gearing slightly weaker at 3.5x as at 30 June 2019 against 3.2x as at 31 March 2019. In addition, CMA CGM's liquidity position remains weak as at 30 June 2019 and significant refinancing risk remains. We continue to review the numbers.
- [Frasers Centrepoint Trust](#) | **Neutral (3)**: FCT has announced their intention to acquire an additional 6.66% stake in Waterway Point. This will raise its stake to 40.0% when completed. The total outlay for FCT is estimated to be around SGD89.6mn. Given the relatively small transaction and FCT's improved balance sheet position following a prior equity raising to fund the initial stake in Waterway Point and acquisition of a 21.13% stake in PGIM ARF, we are keeping our Neutral (3) issuer profile.
- [Frasers Property Ltd](#) | **Neutral (4)**: FPL's Australia arm has been reportedly shortlisted to potentially acquire Maribyrnong Defence Site. The site is owned by the Federal Government and intended to be a new suburb for 6000 new homes upon redevelopment. Indicative value of the site is sizeable, up to AUD500mn.
- [Starhill Global REIT](#) | **Neutral (4)**: SGREIT has reportedly issued a letter of intent to Isetan Singapore ("Isetan") to acquire Isetan's 26% share value of strata lots in Wisma Atria. However, it is yet uncertain if the transaction will happen. Should the acquisition be fully debt funded, this may pressure SGREIT's external credit rating. We continue to monitor the situation.

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## Asian Credit Daily

### Credit Headlines

#### CMA CGM (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Negative (6)

- CMA CGM announced 2Q2019 and 1H2019 results which were somewhat mixed in our view.
- On the plus side, reported EBITDA (before gains on disposal of property and equipment and subsidiaries) was up 344.6% and 301.8% for 2Q2019 and 1H 2019 respectively. This was driven largely by the impact of integrating CEVA Logistics (“CEVA”) which amounted to USD3.5bn in revenues for 1H2019 and led to reported revenue rising 35.0% and 35.9% for 2Q2019 and 1H 2019 respectively. Excluding CEVA’s contribution, revenue would have grown by 5.4% y/y in 1H2019.
  - Other positive influences on EBITDA include volume growth (+6.3% y/y and +6.8% q/q for 2Q2019) from intra-regional (short sea) lines and United States lines as well as the benefits of CMA CGM’s cost reduction plan which resulted in a reduction of USD51 in operational expenses per twenty foot equivalent unit in 2Q2019 against 1Q2019. This translated to a slower y/y growth in operating expenses by 22.9% and 25.2% for 2Q2019 and 1H 2019 respectively against the 35.0% and 35.9% y/y growth in revenues over the same period. Most of the rise in operating expenses was from the integration of CEVA that resulted in higher inland and feeder transportation costs. Otherwise, operating expenses excluding CEVA increased by USD475.9mn or 4.5% y/y for 1H2019 due to higher handling costs from increased volumes and a rise of bunker prices.
  - Given the slower rise in operating expenses excluding CEVA, EBITDA (before gains on disposal of property and equipment and subsidiaries and before CEVA’s contribution) rose 28.8% y/y for 1H2019 to USD555.5mn.
  - With the above, CMA CGM’s core EBIT (defined as EBIT less certain unallocated items) rose 292.3% and 173.0% y/y for 2Q2019 and 1H 2019 respectively to USD 286.0mn and USD433.8mn.
  - Finally, the strong growth in EBITDA mitigated the 196.8% and 191.3% rise in interest expense for 2Q2019 and 1H 2019 respectively on debt taken for CEVA with calculated EBITDA/interest rising to 2.66x and 2.55x for 2Q2019 and 1H 2019 respectively from 1.78x and 1.85x in the previous corresponding period.
- While earnings performance and operating cash flows have improved, CMA CGM’s adjusted free cashflow position was negative due to the CEVA acquisition. As a result, the better earnings performance has not lifted CMA CGM’s balance sheet credit metrics which remain weak with net gearing slightly weaker at 3.5x as at 30 June 2019 against 3.2x as at 31 March 2019. In addition, despite several refinancings completed, CMA CGM’s liquidity position remains weak as at 30 June 2019 and significant refinancing risk remains with significant commitments coming due annually to 2024.
- As we mentioned previously, CMA CGM’s liquidity situation remains tight and CMA CGM’s ability to repay or refinance its debt is largely dependent on multiple factors such as bank support, access to financial markets, and ability to integrate CEVA and reap the financial benefits. To this end, CMA CGM is currently implementing a turnaround plan for CEVA Logistics putting in place a new corporate governance structure and consolidating management teams and support functions.
- On balance, CMA CGM’s Negative (6) issuer profile remains appropriate despite improved operating performance considering its still weak balance sheet and recurring refinancing needs. Note that we [had previously lowered CMA CGM’s issuer profile](#) to Neutral (5) from Neutral (4) in March 2019 and [subsequently lowered it again](#) to Negative (6) from Neutral (5) in June 2019. We continue to review the numbers. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Frasers Centrepoint Trust (“FCT”) | Issuer Profile: Neutral (3)**

- FCT has announced their intention to acquire an additional 6.66% stake in Waterway Point. This will raise its stake to 40.0% following the [prior acquisition](#) of a one-third interest in Waterway Point in May 2019.
- The total outlay is ~SGD89.6mn (made up of SGD50.4mn for 6.66% of the total issued units of Sapphire Star Trust, SGD38.2mn for the pro rata share of a bank loan owed by Sapphire Star Trust, and ~SGD1.0mn for fees and expenses). The acquisition price is based on the same agreed property value that was used for the initial acquisition of a 33.33% stake.
- Given the relatively small transaction and FCT’s improved balance sheet position following a prior equity raising to fund the initial stake in Waterway Point and acquisition of a 21.13% stake in PGIM ARF, we are keeping our Neutral (3) issuer profile. (Company, OCBC)

**Frasers Property Ltd (“FPL”) | Issuer Profile: Neutral (4)**

- FPL’s Australia arm has been reportedly shortlisted to potentially acquire Maribyrnong Defence Site (approx. 10km away from Melbourne central business district). The site is owned by the Federal Government and intended to be a new suburb for 6000 new homes upon redevelopment.
- As yet we do not know if FPL will eventually succeed in the acquisition, though indicative value of the site is up to AUD500mn (~SGD473.4mn) and reasonably sizeable.
- As of writing, FPL’s market cap was SGD5.2bn while as at 30 June 2019, net tangible assets at FPL was SGD14.8bn. (Australian Financial Review, OCBC)

**Starhill Global REIT (“SGREIT”) | Issuer Profile: Neutral (4)**

- SGREIT has reportedly issued a letter of intent to Isetan Singapore (“Isetan”) to acquire Isetan’s 26% share value of strata lots in Wisma Atria. SGREIT currently owns ~74% of Wisma Atria. Reportedly, SGREIT may offer more than ~SGD291mn for the share in Wisma Atria. However, it is yet uncertain if the transaction will happen.
- From a strategic angle, we like the acquisition (should it happen) as SGREIT also owns Ngee Ann City, located next to Wisma Atria. A new Orchard station on the new Thomson-East Coast MRT Line is targeted to be completed in 2021, with a station entrance few minutes from the door step of Wisma Atria.
- However, should the acquisition be fully debt funded, this may pressure SGREIT’s external credit rating in our view although we are unlikely to lower the issuer profile down from Neutral (4). As at 30 June 2019, SGREIT’s reported aggregate leverage was 36.1%. We continue to monitor the situation. (Business Times, OCBC)

## Asian Credit Daily

### Key Market Movements

	10-Sep	1W chg (bps)	1M chg (bps)		10-Sep	1W chg	1M chg
iTraxx Asiax IG	58	-6	-13	Brent Crude Spot (\$/bbl)	63.03	8.19%	7.69%
iTraxx SovX APAC	35	-4	-9	Gold Spot (\$/oz)	1,489.14	-3.75%	-1.46%
iTraxx Japan	55	-6	-8	CRB	174.31	2.32%	1.29%
iTraxx Australia	59	-5	-12	GSCI	409.68	4.39%	2.49%
CDX NA IG	52	-4	-10	VIX	15.27	-19.55%	-15.03%
CDX NA HY	107	1	2	CT10 (%)	1.642%	18.48	-10.26
iTraxx Eur Main	48	-2	-10				
				AUD/USD	0.685	1.38%	1.50%
iTraxx Eur XO	240	-18	-49	EUR/USD	1.105	0.66%	-1.50%
iTraxx Eur Snr Fin	58	-6	-17	USD/SGD	1.381	0.72%	0.47%
iTraxx Sovx WE	15	-1	-4				
				DJIA	26,836	1.64%	2.08%
USD Swap Spread 10Y	-11	2	0	SPX	2,978	1.78%	2.05%
USD Swap Spread 30Y	-41	2	-1	MSCI Asiax	625	3.98%	3.93%
US Libor-OIS Spread	31	-1	6	HSI	26,685	4.53%	2.87%
Euro Libor-OIS Spread	7	1	2	STI	3,155	2.08%	-0.44%
China 5Y CDS	39	-6	-14	KLCI	1,593	-1.18%	-1.36%
Malaysia 5Y CDS	45	-5	-16	JCI	6,335	1.17%	0.84%
Indonesia 5Y CDS	77	-10	-21				
Thailand 5Y CDS	27	-3	-6				

Source: Bloomberg

### New Issues

- Industrial and Commercial Bank of China Limited, Hong Kong Branch has priced a USD2.5bn deal in 3 tranches: a USD1.0bn 3-year FRN at 3m-US LIBOR+67bps (tightening from IPT of 3m-US LIBOR+95bps area), a USD500mn 3-year bond at T+80bps (tightening from IPT of T+105bps area), and a USD1.0bn 5-year FRN at 3m-US LIBOR+78bps (tightening from IPT of 3m-US LIBOR+105bps area).
- Longfor Group Holdings Ltd has priced a USD850mn 10-year bond at T+247.5bps, tightening from IPT of T+280bps area.
- Wuhan Financial Holdings (Group) Co., Ltd has priced a USD300mn re-tap of its existing WUECDE 5.8%'21s at 4.1%, tightening from 4.7% area.
- Industrial Bank of Korea has mandated banks for its potential bond issuance in either USD or EUR.
- Azure Power Solar Energy Pte Ltd has scheduled investor meetings commencing on 10 Sep for its potential USD bond issuance.
- Wuhan Metro Group Co., Ltd has scheduled investor meetings commencing on 10 Sep for its potential USD bond issuance.
- The Bank of East Asia, Ltd has scheduled investor meetings commencing on 10 Sep for its potential USD AT1 bond issuance.
- Shandong Iron & Steel Group Co., Ltd has scheduled investor meetings commencing on 10 Sep for its potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
09-Sep-19	Industrial and Commercial Bank of China Limited, Hong Kong Branch	USD1.0bn	3-year	3m-US LIBOR+67bps
		USD500mn	3-year	T+80bps
		USD1.0bn	5-year	3m-US LIBOR+78bps
09-Sep-19	Longfor Group Holdings Ltd	USD850mn	10-year	T+247.5bps
09-Sep-19	Wuhan Financial Holdings (Group) Co., Ltd	USD300mn	WUECDE 5.8%'21s	4.1%
06-Sep-19	PineBridge Investments, L.P.	USD250mn	5-year	6.0%
05-Sep-19	Jincheng State-Owned Capital Investment Operation Co., Ltd	USD190mn	3-year	6.5%
05-Sep-19	Chang Development International Ltd	USD250mn	3-year	3.9%
05-Sep-19	Indorama Ventures Global Services Ltd	USD300mn	5-year	T+310bps
05-Sep-19	FEC Finance Ltd	USD250mn	NC5.1-Perpetual	7.35%
05-Sep-19	Wharf REIC Finance (BVI) Ltd	USD300mn	5-year	T+120bps

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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