

### Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 3-4bps higher, while the longer tenors (>5yr) traded 4-5bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 129bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 518bps.
- Flows in SGD corporates were heavy, with large ticket flows in UBS 4.85%-PERPs and MAPLSP 3.15%'31s. We also saw flows in CAPLSP 3.15%'29s, FPLSP 4.98%-PERPs, TMGSP 4.8%'22s, UOBSP 3.58%-PERPs, DBSSP 3.98%-PERPs, ARTSP 3.88%-PERPs, MAPLSP 3.95%-PERPs and STANLN 5.375%-PERPs.
- 10Y USTs yields fell 5bps to close at 1.85%, after a drone strike on Saudi Arabia's oil production facilities caused oil prices to spike and sparked concerns on escalating conflict in the Middle East, boosting demand for safe-haven assets. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -13bps.

### Credit Summary:

- **[Lendlease Group](#) | Neutral (4):** LLC is looking to list a new REIT on the SGX, namely Lendlease Global Commercial REIT. According to the prospectus lodged, the objective is to raise ~SGD1.0bn in gross proceeds. The REIT portfolio will have an appraised value of SGD1.4bn, which includes 313@Somerset (a retail property) in Singapore for SGD1.0bn and Sky Complex (comprising three office buildings) in Italy for SGD0.4bn.
- **[Mapletree Industrial Trust and Mapletree Investments Pte Ltd](#) | Neutral (3) and Unrated:** MINT has formed a 50:50 joint venture with MAPL to acquire (1) 10 powered shell data centres from Digital Realty at a purchase consideration of ~SGD774.2mn, and (2) an 80% stake in three existing fully fitted hyperscale data centres at a purchase consideration of ~SGD1126.1mn. Digital Realty will hold the balance 20% stake. In aggregate, MINT's share amounts to SGD950.2mn in purchase consideration (~3.4% discount to independent valuer's valuation) and SGD965.0mn in acquisition cost. If the transaction were to be funded by a 36/64 equity-debt mix as suggested by management (i.e. SGD348mn equity and SGD617mn debt), pro-forma aggregate leverage is expected to increase to 38.5%, from 33.4% as at 30 June 2019. This transaction is credit negative for MINT in our view. Given the material size of the transaction and impact on financial metrics, we are reviewing the issuer profile to consider if the expanded scale and diversity compensates for the weaker financial metrics.

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## Asian Credit Daily

### Credit Headlines

#### Lendlease Group (“LLC”) | Issuer Profile: Neutral (4)

- LLC is looking to list a new REIT on the SGX, namely Lendlease Global Commercial REIT. According to the prospectus lodged, the objective is to raise ~SGD1.0bn in gross proceeds including through IPO (SGD341.0mn), a placement tranche (SGD399.3mn) and subscription by Lendlease Trust (SGD280.0mn).
- The REIT portfolio will have an appraised value of SGD1.4bn, which includes 313@Somerset (a retail property) in Singapore for SGD1.0bn and Sky Complex (comprising three office buildings) in Italy for SGD0.4bn. We note that LLC held 25%-interest in 313@Somerset while the vendor of Sky Complex is a third party.
- [As mentioned in LLC earnings review, we think the listing of the REIT is a credit positive.](#) We may look to upgrade LLC’s Issuer Profile upon the completion of sale of its Engineering & Services business. (Company, Lendlease Global Commercial REIT, OCBC)

**Asian Credit Daily****Credit Headlines****Mapletree Industrial Trust (“MINT”) | Issuer Profile: Neutral (3) & Mapletree Investments Pte Ltd (“MAPL”) | Issuer Profile: Unrated**

- MINT has formed a 50:50 joint venture with MAPL to acquire (1) 10 powered shell data centres from Digital Realty at a purchase consideration of ~SGD774.2mn, and (2) an 80% stake in three existing fully fitted hyperscale data centres at a purchase consideration of ~SGD1126.1mn. Digital Realty will hold the balance 20% stake. In aggregate, MINT’s share amounts to SGD950.2mn in purchase consideration (~3.4% discount to independent valuer’s valuation) and SGD965.0mn in acquisition cost.
- Post-acquisition, MINT’s asset base will increase by ~21% from SGD4.8bn to SGD5.8bn, with its exposure to Hi-Tech Buildings higher at 53% from 44%, and exposure to overseas data centres (subset of Hi-Tech Buildings) at 24%, up from 9% initially. This move shrinks MINT’s overall exposure to other segments. In particular, exposure to Flatted Factories will fall from 33% to 27% of its enlarged asset base.
- These data centres are fully leased to nine established tenants, with a WALE of 9.1 years by gross rental income. Notably, 52% of these properties’ gross rental income are concentrated at 3 out of 10 of the largest technology companies in the US based on market capitalisation as at 31 Aug 2019. Though names were not disclosed, management is confident of these tenant’s credit quality.
- In addition, 92% of the properties’ gross rental income is derived from triple net leases whereby tenants are responsible for all operating expenses, maintenance, property insurance and property taxes. This reduces MINT’s exposure to any volatility relating to these costs. The fixed rental escalations of 2% p.a. or more on 92% of the properties’ leases also add steady rental growth to MINT’s overall portfolio. With 12 out of these 13 properties being freehold, 38% of MINT’s portfolio by land area will be freehold post-acquisition, up from 24%.
- Digital Realty will continue to manage the three hyperscale data centres and manage the 10 powered shell data centres for a one-year transition period.
- MINT also has right of first refusal (“ROFR”) to acquire sponsor, MAPL’s 50% stake in the JV though we do not expect MAPL to exit this investment in the near term.
- If the transaction were to be funded by a 36/64 equity-debt mix as suggested by management (i.e. SGD348mn equity and SGD617mn debt), pro-forma aggregate leverage is expected to increase to 38.5%, from 33.4% as at 30 June 2019. This transaction is credit negative for MINT in our view. Given the material size of the transaction and impact on financial metrics, we are reviewing the issuer profile to consider if the expanded scale and diversity compensates for the weaker financial metrics. (Company, OCBC).

## Asian Credit Daily

### Key Market Movements

	17-Sep	1W chg (bps)	1M chg (bps)		17-Sep	1W chg	1M chg
iTraxx Asiax IG	56	-2	-11	Brent Crude Spot (\$/bbl)	68.00	9.01%	15.96%
iTraxx SovX APAC	35	-1	-7	Gold Spot (\$/oz)	1,498.08	0.83%	0.14%
iTraxx Japan	54	-1	-8	CRB	183.17	5.08%	7.49%
iTraxx Australia	58	-1	-9	GSCI	436.08	6.44%	10.15%
CDX NA IG	51	-1	-4	VIX	14.67	-3.93%	-20.57%
CDX NA HY	108	0	1	CT10 (%)	1.828%	9.59	27.37
iTraxx Eur Main	47	-2	-4				
				AUD/USD	0.686	-0.04%	1.39%
iTraxx Eur XO	244	-1	-26	EUR/USD	1.101	-0.34%	-0.65%
iTraxx Eur Snr Fin	57	-1	-8	USD/SGD	1.377	0.25%	0.72%
iTraxx Sovx WE	15	-1	-4				
				DJIA	27,077	0.90%	4.60%
USD Swap Spread 10Y	-12	-1	-2	SPX	2,998	0.66%	3.78%
USD Swap Spread 30Y	-42	-1	-1	MSCI Asiax	634	1.53%	5.29%
US Libor-OIS Spread	29	0	3	HSI	27,125	1.65%	5.40%
Euro Libor-OIS Spread	5	-2	0	STI	3,198	1.34%	2.67%
				KLCI	1,606	0.10%	0.43%
China 5Y CDS	39	-1	-10	JCI	6,219	-1.69%	-1.07%
Malaysia 5Y CDS	43	-2	-13				
Indonesia 5Y CDS	77	0	-16				
Thailand 5Y CDS	27	0	-4				

Source: Bloomberg

### New Issues

- Bangkok Bank PCL, Hong Kong Branch has priced a USD1.2bn 15NC10 Tier 2 bond at T+190bps, tightening from IPT of T+220bps area.
- Agricultural Bank of China Limited, Singapore Branch has priced a USD500mn 3-year FRN at 3m-US LIBOR +66bps, tightening from IPT of 3m-US LIBOR+95bps area.
- ENN Ecological Holdings Co., Ltd has scheduled investor conference calls commencing on 16 Sep for a proposed re-tap of its existing USD250mn VEYONG 7.5%'21s.
- Lianyungang Port Group Co., Ltd has scheduled investor meetings commencing on 17 Sep for its proposed USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
16-Sep-19	Bangkok Bank PCL ,Hong Kong Branch	USD1.2bn	15NC10	T+190bps
16-Sep-19	Agricultural Bank of China Limited, Singapore Branch	USD500mn	3-year FRN	3m-US LIBOR +66bps
12-Sep-19	The Bank of East Asia, Ltd	USD650mn	NC5-Perpetual	5.875%
12-Sep-19	Huai'an Traffic Holding Co., Ltd	USD300mn	3-year	6.0%
11-Sep-19	Zhaobing Investment (BVI) Ltd	USD300mn	3-year	6.0%
10-Sep-19	Guangxi Communications Investment Group Corporation Ltd	USD300mn	3-year	3.7%
10-Sep-19	FWD Group Ltd	USD600mn	NC5-Perpetual	6.375%
10-Sep-19	Shuifa International Holdings (BVI) Co., Ltd	USD400mn	3-year	4.15%
10-Sep-19	SK Hynix Inc.	USD500mn	5-year	T+162.5bps
10-Sep-19	Country Garden Holdings Co., Ltd	USD500mn	6NC4	6.15%
10-Sep-19	Korea Development Bank	USD100mn	2-year	3m-US LIBOR+30bps
10-Sep-19	Housing and Development Board	SGD500mn	15-year	2.315%

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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